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Cheney Assures NATO on Warheads

Defense Ministers Take First Steps Toward Reducing Military Readiness

By Patrick E. Tyler
Washington Post Service
BRUSSELS — Defense Secretary Dick Cheney assured NATO military colleagues on Wednesday that "there is no danger" of accidental explosions of U.S. nuclear artillery shells stored in Europe.

After a Washington Post report said U.S. officials had found a safety flaw in W79 nuclear artillery shells in West Germany, the Netherlands and Italy in 1988, Mr. Cheney spent much of his time at the end of a two-day meeting of defense ministers fielding questions about nuclear-safety issues.

At the same time, the NATO ministers took the first significant steps to reduce the readiness and training levels of Western military forces arrayed for the last four decades against the Soviet-led Warsaw Pact, which has collapsed with the political transformation of Eastern Europe.

"The initial changes are not great," Mr. Cheney said. But he indicated that General John R. Galvin, commander of NATO forces in Europe, was developing more substantial reductions in training and readiness to follow the initial reductions set to go into effect July 1.

Although Mr. Cheney asserted that U.S. nuclear weapons were subject to "very high safety standards," the acknowledgment by U.S. officials that they were forced to correct a safety problem with nuclear weapons in Europe caused concern that the issue would complicate NATO efforts to reduce nuclear weapons on the Continent.

The defense ministers restated in their communiqué that "the presence of significant North American conventional and nuclear forces in Europe will continue to be among the 'crucial factors in the building of a lasting peaceful order in Europe.'"

Meanwhile, the West German government issued a statement expressing confidence that U.S. nuclear weapons stationed on its soil and under U.S. control were safe. "According to the information provided by U.S. authorities," the statement said, "there has on no occasion during the necessary work undertaken on nuclear ammunition

arisen any danger to the personnel employed."

It added that there had been no danger to the environment.

Stefan Lenz, a spokesman for the West German Defense Ministry, said: "We trust in the United States that the safety is guaranteed."

Mr. Cheney declined to discuss how many nuclear artillery shells had been tested for defects or how they had been repaired or altered.

He also said he would not address what chance there had been that an accidental explosion could have occurred or whether such an explosion could have produced a nuclear yield or dispersed highly radioactive material.

"It is important not to over-dramatize the nature of the problem," Mr. Cheney said. "My personal view is that there is no danger and that the press accounts distort the extent to which there was a danger in the past."

The U.S. defense secretary also would not say exactly when the West German government had been notified of the problem.

"My understanding is that appropriate officials of the German government were notified that we had a problem and that the problem had been solved," he said.

The German statement also left vague the issue of the timing of the notification, saying only that the government had "consistently been informed of the implementation of corresponding safety measures" for the American weapons.

The emergence of the issue of nuclear-weapons safety dramatized the task facing NATO as it redefines its mission in Europe.

In a remark showing the charged atmosphere on the Continent, Mr. Cheney told reporters on his plane after the NATO meeting that he now believed Western forces would have "incentives" to mobilize in response to any Soviet military build-up and threat to Western Europe.

"It's a judgment call," he said regarding "warning" time, "but I would be prepared to argue that

See DEFECTS, Page 8



Mikhail S. Gorbachev making a point in the Russian parliament on Wednesday during a debate on expanding the republic's economic and social powers. The Soviet leader accused Boris N. Yeltsin of abandoning communist principles and trying to "excommunicate" Russia from its communist roots.

Soviet Government Ties Its Rule to a Vote On Economic Change

By Michael Dobbs
Washington Post Service

MOSCOW — The Soviet government unveiled its proposals on Wednesday for a cautious transition to a market economy, proposed holding a national referendum on the changes and threatened to resign if they were not approved.

The program, to be submitted to the legislature Thursday, envisions the gradual dismantling of the system of central planning and its replacement by Western-style economic incentives. It was adopted after months of squabbling between President Mikhail S. Gorbachev's advisers over how to introduce market mechanisms into the economy without touching off a social explosion.

The program represents a compromise between conservatives and radical economists who had urged Polish-style "shock therapy" as the only way of extricating the country from growing economic crisis. The prices on a wide range of goods will at least double under the new scheme, but workers will be fully compensated for the increase in basic foods.

A test of the political feasibility of the program will come later this week when the legislature debates calls for tripling bread prices as of July 1. Any increase in the cost of bread, which has remained stable for decades, is bound to provoke unease among the population even if wages go up proportionately.

The Soviet planning chief, Yuri D. Maslyukov, said the government had rejected "shock therapy" because estimates predicted that it would lead to 40 million unemployed and a catastrophic fall in industrial production. But he said

economic changes originally scheduled for the beginning of 1993 would be brought forward to early 1991.

Mr. Maslyukov predicted that the government's austerity measures could lead to a drop in consumer demand of five to six percent. He said the population was being asked to endorse modest sacrifices over the next two to three years in return for improvements in the standard of living after 1993.

"If the government's concept is not accepted, then the government should resign," he said, adding that the legislature would set the date for the referendum and frame the question.

As head of the Soviet Committee for State Planning, Mr. Maslyukov

Baker says improved U.S.-Soviet relations depend on Moscow's efforts for democracy. Page 8.

is a senior member of the Soviet government headed by Prime Minister Nikolai I. Ryzhkov. He also sits on Mikhail S. Gorbachev's powerful new Presidential Council, which approved the program for economic change on Tuesday.

The government's decision to hold a referendum on economic changes is reminiscent of a similar move Polish authorities in 1988. The rejection by the Polish electorate paved the way for the roundtable talks between the government and the Solidarity opposition as the only way out of the crisis.

The government draft also includes plans for breaking up state monopolies from the beginning of 1990 by transforming government-run industrial enterprises into joint stock companies. In the early stages of change, however, most of the shares are likely to be held by the government itself.

Even if the latest proposals are endorsed by both the legislature and the electorate, many Western economists say they doubt that they will be sufficient to turn the Soviet economy around soon. By fully compensating workers for the increase in the price of basic foodstuffs, they say, Moscow is doing little more than juggle its accounts.

"The Soviets are still striving for

change without pain," said Richard Ericson, an expert on the Soviet economy at Columbia University. "Their concept of the transition to a free-market economy is flawed. By introducing changes piecemeal, they are allowing each measure to fail on its own because they are not creating a proper environment for rational decisions."

According to the calculations of PlanEcon, a Washington-based economics institute, food subsidies are likely to account for more than 19 percent of the Soviet budget in 1990. Official military expenditures account for only 14.5 percent.

The deputy prime minister in charge of economic change, Leonid I. Abalkin, said the proposals marked the last chance of saving the economy from disaster.

"If we had done this two or three years ago, it would have been much more simple," he said. "The losses would have been less. But if we postpone it any longer, we will have to pay an even greater price. If we don't do this now, we will be putting the burden on the shoulders of our grandchildren."

The official trade unions appear to have been mollified by the promises of a referendum and the creation of a social security system to help the underprivileged, including teachers, pensioners and large families. But Gennadi Yanayev, chairman of the trade union federation, said the referendum would be difficult to carry out because few people understood the meaning of a market economy.

"We know more about space research than we do about market research," he said. "A lot of explanation is needed."

Mr. Yanayev said the unions were prepared to accept an increase in unemployment from 2 million to around 6 million as unprofitable industries are closed down, provided that steps were taken to retrain them.

Mr. Abalkin predicted that extra jobs could be created in the service sector and said the government was considering a Roosevelt-style public works program to cushion unemployment.

UN Intifada Role Possible, Baker Says

Compiled by Top Staff From Dispatches

WASHINGTON — The United States is ready to support the sending of United Nations observers to the Israeli-occupied West Bank and Gaza Strip, Secretary of State James A. Baker 3d said Wednesday.

Mr. Baker said at a White House news conference: "We would be prepared to discuss the question of a UN observer team if that indeed comes up at the UN Security Council session."

The Security Council is expected to meet in Geneva on Friday. Yasser Arafat, leader of the Palestine Liberation Organization, has said he will call for UN peacekeepers to be dispatched to protect Palestinians in the territories.

Mr. Baker denied that President George Bush had told President Hosni Mubarak of Egypt that the United States would accept more

Soviet Jewish immigrants than planned this year.

"It's my understanding that the president did not offer to take in more Soviet Jews," Mr. Baker said. Earlier, Mr. Mubarak's spokesman said Mr. Bush had told the

With the intifada, the conflicts of loyalty and identity deepen for many Israeli Arabs. Page 2.

Egyptian leader by telephone that the United States would open its doors to Soviet Jews.

Mr. Baker said the United States already planned to take 70,000 Soviet immigrants this year, compared with 50,000 in 1989 and about 14,000 in 1988.

In The Hague, a PLO official said Wednesday that Mr. Arafat would call for the immediate stationing of UN troops in the Israeli-occupied territories when he addressed the Security Council in Geneva.

"Arafat will ask for protection for Palestinians in the occupied territories and for international intervention," said the PLO representative in the Netherlands, Afif Safieh.

Mr. Arafat will also call for the withdrawal of Israeli forces from the occupied territories and will "ask to send UN peacekeeping forces for an interim period until a final settlement — that is Palestinian sovereignty — is reached," Mr. Safieh said.

The Security Council debate on violence in the occupied territories was switched from UN headquarters in New York to Geneva in order to sidestep controversy over Mr. Arafat's efforts to obtain a U.S. visa.

Diplomatic sources said the United States told Mr. Arafat that it would reject his request to address the UN in New York but would not oppose moving the session to Geneva.

The PLO leader eventually decided that to risk a visa rejection would be to divert the spotlight from the renewed upsurge of violence in the occupied territories.

Mr. Arafat's visa has become a symbol in the U.S.-PLO relationship, Washington rejected his request to address the General Assembly in 1988, and that session was also moved to Geneva.

In his speech then, Mr. Arafat renounced terrorism and said he accepted Israel's right to exist. Despite that, the United States told him not to apply in 1989.

Arab delegates requested an urgent Security Council session on Monday after an upsurge of violence in the occupied territories.

See BAKER, Page 2

White House Defends Baker's Deal in Moscow

By Thomas L. Friedman
New York Times Service

WASHINGTON — The White House has defended the key elements of the arms-control accord that Secretary of State James A. Baker 3d struck with Moscow last week, dismissing as groundless criticism from the Republican right wing that he made too many concessions.

A senior U.S. official, briefing reporters in the White House before the start of the summit meeting next week between President George Bush and President Mikhail S. Gorbachev, focused in particular on criticism of the administration's handling of the question of how to limit Soviet SS-18 heavy missiles.

In his talks in Moscow, Mr. Baker and the Soviets resolved most of the other main differences holding up the proposed treaty limiting long-range nuclear weapons, leaving only the problem of SS-18 mod-

ernization and a few others to be worked out.

But the fact that on SS-18s, the most dangerous in the Soviet arsenal, Mr. Baker proposed a limited concession to Moscow in hopes of tying up the treaty now has enraged some Republican conservatives.

"We are strong, and just at the moment when we are strong, we are making concessions," said Richard N. Perle, who served as an assistant secretary of defense in the Reagan administration, adding his voice to that of the Wall Street Journal editorial page and several conservative columnists in attacking the agreement.

"Any American official making concessions to the Soviets today has to explain himself," Mr. Perle said, "as much as would any coporation which made a deposit in a crumbling savings and loan."

The Soviets have already agreed to reduce by 50 percent their arsen-

See ARMS, Page 8

Savings and Loan Rescue Cost Doubles

By Lawrence Malkin
International Herald Tribune

NEW YORK — Treasury Secretary Nicholas F. Brady told Congress on Wednesday that the Bush administration had drastically underestimated the cost of bailing out the savings and loan industry and doubled the price tag to between \$90 billion and \$130 billion — not including interest.

The most immediate effect of the new estimate will be to increase the difficulty of reaching a compromise between Congress and the administration to reduce the U.S. budget deficit.

The higher bailout costs have potentially broad political and financial implications as well, experts said. These entail more government borrowing, a floor under interest rates, more pressure for higher taxes, and a tighter supply of loan capital for business.

All these factors would increase the drag on the U.S. economy at a time when many analysts fear it is slowing down.

The chairman of the Federal Reserve Board, Alan Greenspan, said the effect on interest rates for now would be minimal. But the effect over the long term would be to increase the cost to the government of the interest charges on the rescue.

Robert Litan, of the Brookings Institution in Washington, said: "That's about \$10 billion a year on the borrowed money, forever and ever. When you're trying to cut the deficit, that represents another \$10 billion back, and it doesn't make it any easier."

By this reckoning, the total cost to the taxpayers over the years could be \$300 billion. Some economists say it could go as high as \$500 billion if a recession causes even more thrifts to fail.

In asking Congress for more borrowing authority, Mr. Brady told the Senate Banking Committee that the government may need to borrow between \$90 and \$130 billion to make good losses to federally insured depositors.

The administration's original price tag had been \$50 billion in long-term borrowing authority. It was part of the savings and loan

hailout bill passed by Congress last year, when the administration estimated that between 450 and 500 savings and loans would fail. By the new estimate, between 722 and 1,030 thrifts will fail.

For the 1991 fiscal year alone, which starts Oct. 1, the administration estimated a cost of \$61 billion — almost eight times the projection in the budget President George Bush sent to Congress in January.

Some Democratic critics contended Wednesday the new estimate showed that the administration was not moving quickly enough to close ailing savings and loans.

Representative Charles E. Schumer, a Democrat of New York, called the situation an "unmitigated disaster."

It was the first time the administration acknowledged critics' assertion that the savings and loan

domitory for 100 days. The men were between 19 and 27, and none had a history of being overweight. Each had a daily diet containing 1,000 extra calories. Exercise was strictly forbidden.

The members of each pair of identical twins gained similar amounts of weight in response to overfeeding, but the difference among pairs was remarkable. After eating exactly the same number of excess calories, one man in the study gained 9½ pounds (4.3 kilograms), while another gained almost 30. The variation among pairs was three times as great as the differences seen between members of the same pair.

Researchers found even wider variations when they measured whether extra fat showed up on the men's middles or on their hips and thighs.

Identical twins tended to gain weight in identical places. The variation among the pairs with respect to body fat distribution was six times greater than within pairs, according to Claude Bouchard, a professor of exercise physiology and the study's principal author. There was also wide variation in the proportion of weight gained as muscle rather than fat, with those who added mostly fat tending to put on more pounds overall.

See RESCUE, Page 2

Supersonic Jet II: U.S. Gets on Board

By Barry James
International Herald Tribune

PARIS — The biggest rivals in the bitterly competitive aircraft manufacturing business are joining a study to find out if the world wants, needs or can afford a bigger and better replacement for the aged Concorde supersonic jetliner.

Aerospatiale of France and British Aerospace PLC announced Wednesday that the Boeing Co. and McDonnell Douglas Corp. were joining them and Deutsche Airbus, a division of Daimler-Benz AG, in a feasibility study.

Most experts agree that if a market exists at all it will be big enough for only one supersonic jetliner. And the experience of the original Concorde has taught the lesson that developing such aircraft is too much for one company or country.

The new agreement, therefore, appears to be a way for a company to keep a foot in the door should a profitable market be found to exist, while at the same time committing itself to nothing beyond pooling research for one year.

Aerospatiale and British Aerospace hope the study will lead to closer and wider international cooperation, possibly involving Japanese and Soviet companies as well.

The French and British companies clearly do not want to be left out of a possible market for world-spanning supersonic aircraft early in the next century, but equally

they are not ready to assume on their own development costs, conservatively estimated at \$10.5 billion.

Henri Martre, the president of Aerospatiale, said recently that there is a potential market for no more than 500 such aircraft and that it would be "madness" for manufacturers to compete to build them.

Two weeks ago, Aerospatiale and British Aerospace announced they would undertake a five-year, \$35 million feasibility study to replace the Concorde jetliner within the next 15 years.

At a meeting in New York on May 19, Boeing, McDonnell-Douglas and Deutsche Airbus decided they would join the French and British manufacturers in "complementary" studies for one year. They will look into the environmental, commercial, economic and technical aspects of building a supersonic.

Aerospatiale and British Aerospace are the leaders in the super-sound field because of their joint work on Concorde, and both have plans for possible replacement aircraft capable of traveling trans-pacific routes with twice as many passengers as Concorde, which carries up to 128.

Industry experts say American participation would be vital for the success of a supersonic project because of the size of the market.

See FLY, Page 23

Vilnius Makes Offer on Laws

MOSCOW (Reuters)

Lithuania offered Wednesday to suspend some laws relating to its independence declaration if the Kremlin agreed to open talks on sovereignty, a parliamentary spokesman in Vilnius said.

But the Lithuanian parliament stopped short of fulfilling President Mikhail S. Gorbachev's demand that it suspend the declaration itself, which was passed March 11.

General News
 The House of Representatives sent mixed signals on aid for El Salvador. Page 4.

Business/Finance
 Elf Aquitaine signed a contract allowing it to explore for oil in the Soviet Union. Page 21.

Crossword Page 19.

Dow Jones	The Dollar
Up 4.03	2.856-28
Down 1.678	1.678
Point 1.693	1.693
Yen 161.26	161.26
FF 5.6405	5.6405



MILAN TRIUMPHS, 1-0 — Marco van Basten of AC Milan, left, and Filo Valdo of Benfica of Lisbon on Wednesday in the final of the European Champions' Cup. Page 26.

The 3 Tough Races Of Andrew Young

To Be 2d Elected Black Governor, Georgian Must Travel a Long Road

By Robin Toner

ATLANTA — Andrew Young offers little homilies of hope as he travels around Georgia in his quest for the governorship.

He tells of the 84-year-old man who came up to him in Ben Hill County in South Georgia and identified himself as "a Talmadge man."

Not Herman Talmadge, the former U.S. senator, but Mr. Talmadge's father, Glen, the supervisor of the 1940s, champion of rural values and strict segregation.

The old man told Mr. Young, "I've never voted for a colored before, but I reckon you got my vote."

Mr. Young tells these stories to make people believe that a candidate who defies so many of the norms and odds of Georgia politics as a black man, as a former

Republican to the Reverend Martin Luther King Jr., as a former mayor of Atlanta, which has long been considered a troublesome base for a statewide campaign — can make it to the governor's office.

But eight weeks before Georgia's Democratic primary, Mr. Young's optimism is up against some hard political realities.

He must overcome three major Democratic opponents to make his way through a Democratic primary, a runoff widely considered a certainty and a general election.

That is a much harder task than the one performed by L. Douglas Wilder of Virginia, who last year became the first black elected governor in the United States.

Mr. Wilder had held statewide office and was able to win the gubernatorial nomination at a state party convention. "I've got three races to run," Mr. Young said. "He only had one."

As he works to assemble a winning coalition, Mr. Young is walking a difficult line, trying to energize and reassure his base among blacks, trying to reach out to the younger suburban whites who are considered his best source of white support and trying to demonstrate that in the small towns of South Georgia he can win a few converts.

"My favorite spiritual is 'Lord, I Don't Feel Noways Tired, 'Cause We've Come Too Far From Where We Started From,'" he told an audience in Macon last week.

They were gathered in a setting that bore witness to the song: a restaurant in an antebellum mansion, a retrofitted husk of the Old South built by a farmer whose fortunes were dashed by Sherman's Civil War March to the Sea.

Mr. Young's career has long been emblematic of the outburst of history in the New South, from the streets of Birmingham, Alabama, to the halls of Congress; from the United Nations, where he served as chief U.S. representative under Jimmy Carter, to Atlanta, where he just finished two terms as mayor.

A poll last month conducted by The Atlanta Journal-Constitution showed him neck and neck with Lieutenant Governor Zell Miller in the race for the nomination.

He drew strong black support, but 16 percent of the white vote.

Blacks are expected to cast more than one-fourth of the Democratic primary votes, so Mr. Young is almost assured a place in any runoff. Runoffs are held in Georgia if no candidate captures more than 50 percent of the vote.

His supporters say they hope he can say above the fray in the first primary as the white candidates struggle for the other slot in the runoff. Roy Barnes, a state senator from the Atlanta suburbs, is considered Mr. Miller's strongest rival.

The other Democratic candidates are Lauren (Bubba) McDonald Jr., a state representative, and Lester Maddox, a former governor and the archetype of 1960s resistance to integration.

The newspaper poll, conducted April 13 to 24, showed Mr. Young with 29 percent, Mr. Miller with 23 percent, Mr. Barnes with 10 percent, Mr. McDonald with 5 percent, Mr. Maddox with 3 percent and 29 percent undecided.

Mr. Young, 58, has vulnerabilities. Any of his shortcomings as mayor of this city of 452,900 people, which is 68 percent black, are expected to get an ample airing.

Mr. Miller is already assailing him for the rise in crime in Atlanta. James Carville, Mr. Miller's strategist, said of Mr. Young, "He's not a mind-the-store kind of guy, and people traditionally like their governors to try to pay attention to that."

Whoever emerges with the Democratic nomination will face a strong and well-financed Republican candidate.

The expected nominee is Johnny Isakson, the Republican leader in the Georgia House, who has a base in Atlanta's suburbs.

Mr. Young's message on the campaign trail is his village: a belief in the redemptive power of business, a buoyant pledge to bring to the state the economic development that has occurred in Atlanta.

He talks of doubling the exports of pecans and carpets, bringing the Olympics to Georgia in 1996 and bringing jobs to Willacoochee and Hawkinsville.

He seeks alliances with small-town white businessmen like the Hawkinsville banker who rose after a Young speech last week to boast about the former mayor's international contacts and to declare, "I don't know any Bubba, any Zells or any Lesters who could open those kind of doors."

Mr. Young treads carefully on the race issue. He told a small group of blacks at a house party in Macon last week that he had made sure his appearance at the recent convention of the Reverend Jesse Jackson's National Rainbow Coalition did not coincide with that of Mr. Wilder.

"If you had a picture of me, Doug and Jesse," he said, "I was convinced we would see that picture on the street the week before the election. You know, saying, 'They took over Virginia; now they're trying to take over Atlanta.'"

Alcohol Under Fire, Wine Lovers Circle Wagons

By Lawrence M. Fisher

New York Times Service

SAN FRANCISCO — Kermit Lynch is fighting back. A Berkeley wine importer and retailer, Mr. Lynch is required by the federal government to label all his wines, warning that drinking impairs driving, risks birth defects in the children of pregnant women and "may cause health problems."

He says the warning, particularly on health, is vague and misleading.

He proposed adding to the label quotations proclaiming the healthfulness of wine from the Bible, from Louis Pasteur — and from Thomas Jefferson: "Wine from long habit has become an indispensable part of my health."

The government refused to permit his additions because they violated laws passed after the repeal of Prohibition in 1933 barring health claims on alcoholic beverages.

"In the name of health our government has censored Thomas Jefferson," Mr. Lynch said. "I think it's behavior control. It's always insidious the way these tyrannical things come about."

He has suggested that wine lovers stage a "San Francisco Tea Party," where a substantial amount of cheap wine would be dumped in the bay.

More and more, restaurateurs, winemakers and others who make their livings or take pleasure in food and wine are circling the wagons against what they see as an increasingly intolerant society attacking with anti-alcohol legislation and food and nutrition scares.

In their view, "neoprohibitionists" have moved beyond efforts to curb drunken driving and alcoholism to a general attack on alcohol consumption.

Increased taxes, more regulations and public fears will hit especially hard at the small winemakers, they say, who operate on thin profit margins. But beyond the financial toll, they see a cultural ban on the gracious way of life embodied in the marriage of food and wine.

Julia Child, emblematic of French cooking for millions, sees anti-wine activity as part of a broader pattern of manipulation and hysteria about food. "For centuries and

centuries, all including Jesus Christ, drank wine," she said. "It's just part of a civilized life."

Organizations like the Center for Science in the Public Interest, a consumer advocacy group, say that although they do not seek prohibition, the threat of alcohol to society is genuine. They blame it for safety and health problems ranging from child abuse to cancer.

"The majority of alcohol problems in our society are not caused by people who are alcoholics," said a spokeswoman for the center, which worked to promote the label legislation that became law last year. "It's light to moderate drinkers causing the majority of problems."

Winemakers and others close to the industry, initially

'Just when we thought we had achieved a certain sophistication, we have the puritans rising up again. They are seemingly not content to affect change in their own lives, but seek to legislate change in others.'

Peter Lewis, restaurant owner

slow to respond out of fear of being identified with other beleaguered industries like tobacco, are taking the offensive.

Several groups now publish reports citing the health benefits of moderate wine consumption. Restaurateurs, the industry's natural allies, are training their staffs in how to field customers' questions about wine and health.

And some wine reviewers have suspended columns on the relative merits of vineyards and vintages simply to write defenses of wine.

To counter what viticulturists say is the selective citing of

exclusively negative studies by those who caution against drinking, they formed the American Wine Alliance for Research and Education last year. AWARE, which last week held a forum on wine's role in society here, says it publishes the findings of all studies on wine and health, positive or negative.

"There are activists who want to change the way society views alcohol," an alliance official said. "The real danger is that in focusing only on abuse, respect and support for moderate consumption falls by the wayside. The majority of people continue to drink moderately, responsibly and safely."

Other new groups include the National Wine Coalition, a lobbying body, and Citizens for Moderation, which publishes a monthly newsletter, is raising funds for a suit challenging the warning labels.

Although most Americans have never embraced wine as a daily beverage the way Europeans do, it has achieved much broader acceptance in the last 20 years.

As newspapers added wine columns, restaurants offered wines by the glass and supermarkets mounted wine displays amid meat, cheese and produce departments, wine with dinner became a natural combination for more people.

"Just when we thought we had achieved a certain sophistication, we have the puritans rising up again," said Peter Lewis, owner of a French restaurant in Seattle. Those warning against drinking "are seemingly not content to affect change in their own lives, but seek to legislate change in others," he said. "They are scaring people needlessly."

David Musto, a professor of psychiatry and the history of medicine at Yale who began writing about "the new temperance movement" 10 years ago, said concerns and tactics closely paralleled U.S. temperance drives in the early 20th century and in the mid-1800s, both of which led to prohibition.

Public concern over the safety and healthfulness of food is one of several elements that make people receptive to temperance movements, Mr. Musto said.

Aide Urges Halt to Ads For Tobacco

Reuters

WASHINGTON — Health Secretary Louis W. Sullivan, stepping up his war on smoking, denounced the tobacco lobby on Wednesday and urged advertising agencies to renounce business from the industry.

"The real wonder is how, as a society, we continue to let the advocates of tobacco distract our attention from the truth," he said in a speech to cancer researchers.

He said ethical advertisement agencies should consider the source of their fees "and the consequences of the use of the products" that they "urge the public to use."

"There must be a time when we ask the advertising industry to harness its creative talents in the promotion of health, not the promotion of illness," he said.

Mr. Sullivan's harsh remarks followed an accusation by a member of Congress that the government was trying to tone down its rhetoric against smoking.

Representative Henry A. Waxman, Democrat of California, chairman of the House Health Subcommittee, had questioned whether Mr. Sullivan had restrained Dr. James O. Mason, head of the U.S. Public Health Service, after the doctor withdrew from a hearing on exports of U.S. tobacco products to poor nations.

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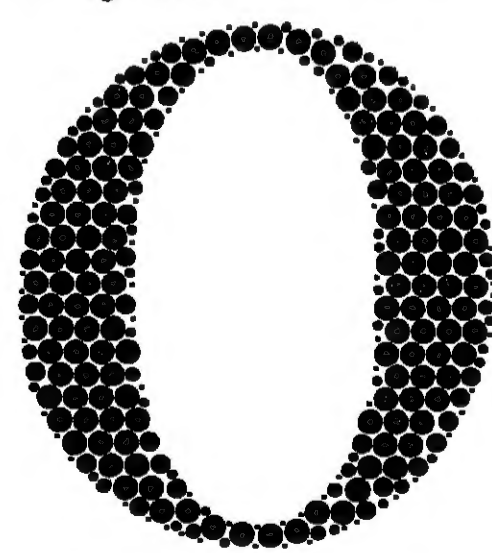
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THE SUMMIT AT A SUMMIT — Foreign Minister Julio Londoño Paredes of Colombia, right, shaking hands with President Rodrigo Borja Cevallos of Ecuador during an Andean summit at the Peruvian mountain ruins of Machu Picchu. With them were, from left center, Presidents Jaime Paz Zamora of Bolivia, Alan García Pérez of Peru and Carlos Andrés Pérez of Venezuela.

House Mixes Its Signal on Salvador Aid

By Robert Pear
New York Times Service
WASHINGTON — In a rebuff to the Bush Administration, the House of Representatives voted to cut military aid to El Salvador by 50 percent, but minutes later the decision was voided when an overall foreign aid bill that contained the measure was defeated.

The vote Tuesday on the amendment, after four hours of heated debate, was the most significant signal yet of congressional concern at the failure of El Salvador to prosecute the killers of six Jesuit priests in San Salvador in November.

The back-to-back votes also left in temporary disarray President George Bush's effort to obtain

emergency economic assistance for Nicaragua and Panama. Aid to those countries was contained in the same bill as the restrictions on assistance to El Salvador. The House is likely to consider the Panama and Nicaragua aid in a different bill. It is uncertain when and in what form limitations on aid to El Salvador might be proposed again.

Democrats said the defeat of the bill should not be interpreted as a vote against the restrictions on Salvadoran aid, arguing instead that it reflected widespread resistance in both parties to foreign aid measures in general.

Largely along partisan lines, the House decided to halve military aid to El Salvador by a vote of 250 to 163.

The White House said Monday that it opposed the 50 percent cut in aid to El Salvador and warned that Mr. Bush was likely to veto such a measure.

The United States has provided more than \$3.8 billion in aid to El Salvador since 1980. This year, it is providing \$315 million, including \$85 million of military assistance for weapons and training.

Supporters of the legislation, led by Representative Joe Moakley, Democrat of Massachusetts, said the bill was designed to penalize the Salvadoran government for not moving more effectively on the Jesuit case while at the same time providing new incentives to the government and leftist guerrillas to negotiate an end to the decade-long war in which more than 70,000 people have died. The two sides pledged this week to reach a ceasefire by mid-September.

The question of whether to restrict aid to El Salvador was to be considered next by a conference committee of negotiators from the Senate and the House.

The Senate passed a foreign aid bill in April without addressing the question. Representative Mickey Edwards, Republican of Oklahoma,

expressed the view of the administration when he complained that aid to other countries was "being held hostage to partisan politics" over El Salvador.

The House bill contained an elaborate set of incentives for both sides in El Salvador's civil war. Military aid to the government was to have been cut in half, to \$42.5 million next year. But it could have been restored to \$85 million if the rebels failed to negotiate in good faith, continued to receive significant amounts of arms from outside El Salvador or staged a new military offensive that threatened the survival of the government of President Alfredo Cristiani. The bill did not define good faith negotiations.

On the other hand, San Salvador was to be denied military U.S. aid if Mr. Cristiani were deposed in a military coup, if the government failed to negotiate in good faith with the guerrillas or if it failed to prosecute those responsible for killing the Jesuit priests.

Salvadoran authorities have arrested an army colonel, two lieutenants and five lower-ranking military men on charges of murdering the priests. But Democrats said El Salvador had made scant effort to determine whether senior military officers ordered the killings.

Senate Votes to Restrict Semiautomatic Weapons

The Associated Press

WASHINGTON — The Senate voted, 52 to 48, on Wednesday to restrict the import and manufacture of semiautomatic assault weapons, handing a surprising defeat to the National Rifle Association and the Bush administration.

Senators approved a provision that would ban for three years nine foreign- and U.S.-made semiautomatic weapons, which have been called the "weapons of choice" for criminals and drug traffickers.

"These are combat weapons," Senator Dennis DeConcini, Democrat of Arizona, said before the

vote to bar imports of five foreign-made assault weapons and ban domestic manufacture of four others.

The vote came as legislators worked on a larger anti-crime bill that also includes provisions to restore capital punishment for 30 federal crimes, including assassinating the president.

The outcome represented a setback for the National Rifle Association, which had lobbied hard to kill the curbs.

Supporters of the ban had said over the weekend that they held out little hope of winning. They said they expected to face opposition on

the campaign trail this fall because of the legislation.

Senate critics called for tougher criminal penalties in place of curbs on guns.

"Let's try 'em and fry 'em," Senator Alan Simpson, Republican of Wyoming, urged the Senate on Tuesday night. "That will start a lot of action in the United States, and we won't have to worry about this stuff."

Mr. DeConcini, the chief sponsor of the restrictions, scoffed at claims that they would place a burden on hunters. He pointed to a picture of a Sweet's Sweeper, a round-drummed semiautomatic

shotgun of African origin that he called "an apartheid control weapon."

"It's not going to be used on deer because it would absolutely blow the deer to pieces," Mr. DeConcini said.

There is no legislation in the House corresponding to the Senate crime bill.

A campaign for curbs on assault weapons began in January 1989 after a gunman with an AK-47 semiautomatic rifle opened fire on a schoolyard in Stockton, California, at recess time, leaving five children dead and 30 others wounded.

U.S. War Plan: Infect Enemy Computer

By Evelyn Richards

Washington Post Service

WASHINGTON — Wanted: Experienced computer hackers capable of breaking into enemy software systems and destroying secret files. Knowledge of computer viruses is a must.

Such a solicitation is not far-fetched. The U.S. Army's secretive Center for Signals Warfare in Warrenton, Virginia, is seeking bids from businesses to study the feasibility of disabling enemy weapons systems by infecting them with disruptive computer programs.

"We're looking to see if we can develop some malicious software concepts," said Richard Poisel, the army center's chief of research and technology. He added that the army was seeking to use such concepts "against some adversary's command and control system."

In particular, the army hopes to explore the use of computer viruses — a type of unwanted software program that can propagate undetected from one computer to another, thwarting the computers' normal functions and sometimes garbling data. Incidents of computer sabotage have swept the United States in recent months as hackers have be-

come increasingly efficient at breaking into the systems of businesses, universities and research centers.

But what the army envisions would be far riskier for your average hacker to pull off. The biggest obstacle would be figuring out how to implant the dreaded software in the enemy systems.

One answer suggested by the army is somehow to transmit the "malicious" software code over radio waves. The software could be inadvertently accepted by an adversary's system that was receiving other information over the air.

But some computer experts say the concept borders on the absurd, in part because such communications systems would probably contain elaborate schemes to protect against intrusions.

Also, to alter software, one needs an intimate knowledge of how it operates under normal conditions. The United States would be unlikely to have such information in hand on a rival's system. And most military computer systems cannot be reprogrammed by remote control.

"It's equivalent to walking up to an arcade game and changing the programs of the game — with the joysticks," said William Murray, a Connecticut computer security consultant.

But not everyone is convinced that the idea is far-fetched.

Myron Cramer, an electronic-warfare specialist at the research firm Booz Allen Hamilton Inc. in Bethesda, Maryland, says he sees a day when viruses could be remotely injected into enemy computers that support air defense and battlefield control systems, putting them covertly until they spring into action. He even has described an "assassin" virus that would wreak widespread havoc and then erase itself, leaving no trace.

Some experts say they also believe that evaluating such possibilities could help the United States plug its own vulnerabilities to computer disruptions. Indeed, some computer specialists who were told of the army's proposal said that the United States, more than any other power, was prone to be a victim of invading software.

"In any kind of environment where you want to set something like that loose, our forces would likely be more vulnerable than anyone we would be up against," said Eugene Spafford, a professor at Purdue University in Indiana who specializes in computer security. "We have more computers, and ours are more homogeneous than what others would be running."

Mary Bruce, a Flyer and Speedboat Pilot, Dies

The Associated Press

LONDON — Mary Victor Bruce, 94, a pioneer aviator, race car driver and speedboat pilot died Monday of old age, her son, Anthony Bruce, announced Wednesday.

She was born Mildred Mary Petre to an English nobleman, Lawrence Petre, and his wife, a Broadway actress.

Within months of taking up flying, Mrs. Bruce went around the world solo in her plane, Bluebird. The 1930 trip included a crash on takeoff in Baltimore and her arrest in New York for flying circles around the Empire State Building.

In race car driving, Mrs. Bruce won the 1927 Ladies Cup at Monte

Carlo and set 117 world records. She crossed the English Channel by speedboat and broke the 24-hour record for distance covered at sea — 674 miles (1,084 kilometers) — set in 1929.

Franklin H. Williams, Civil Rights Activist

New York Times Service

Franklin H. Williams, 72, a lawyer, educator and government official who was active in civil rights causes, died of lung cancer Sunday in New York.

Mr. Williams, who helped organize the Peace Corps, was also a U.S. ambassador to Ghana and a vice chairman of the New York

City Board of Higher Education. From 1970 until his death he served as president of the Phelps-Stokes Fund, an educational foundation dedicated to advancing opportunities for minority groups and Africa.

Max Wall, 82, Music Hall Comic

LONDON (AP) — Max Wall, 82, whose stage talents took him from music hall comedy to acclaim as a serious actor, died Tuesday.

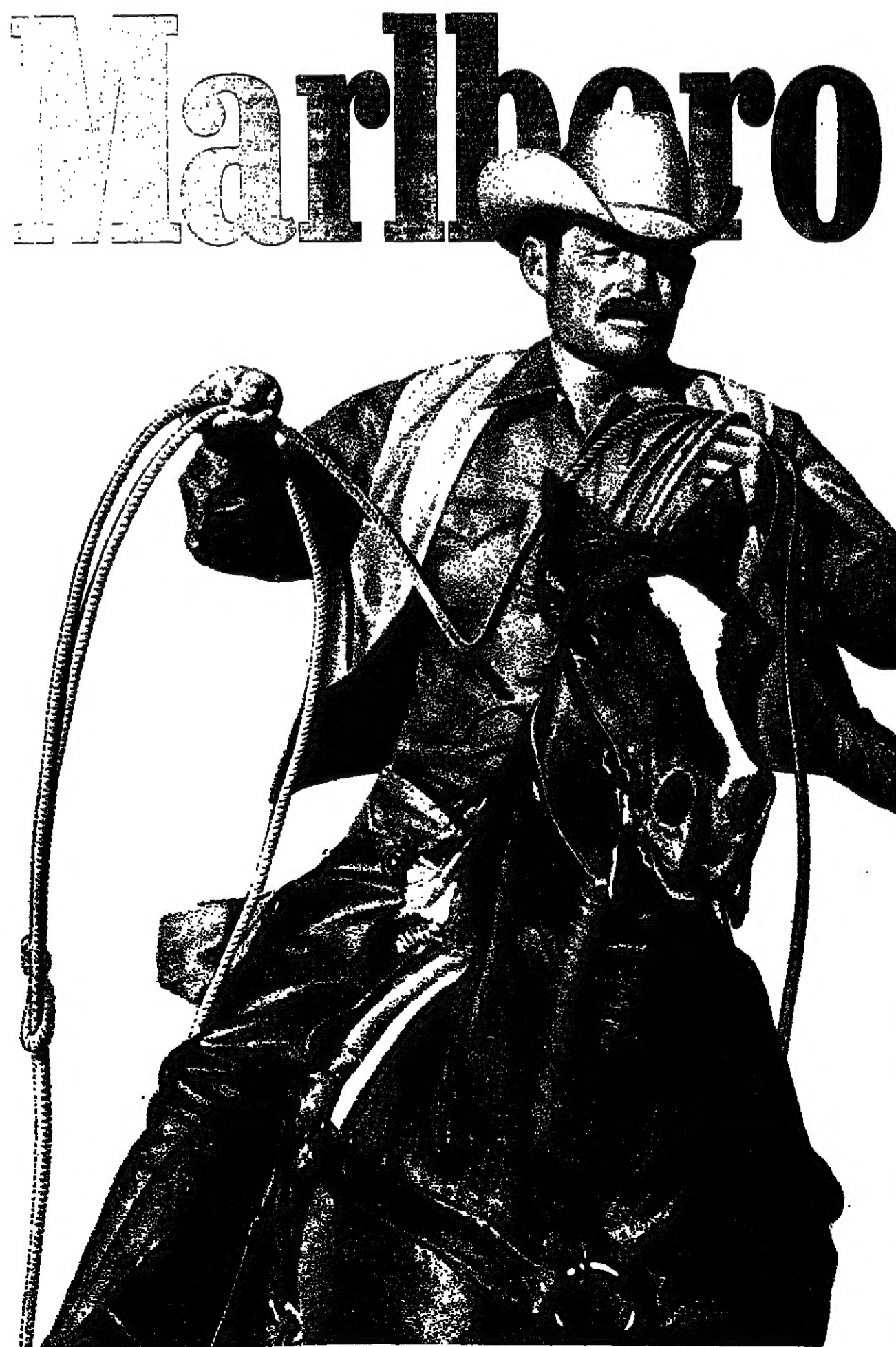
He was born Maxwell George Loximer in South London into a family of entertainers, and made his first stage appearance as a baby

in a kiln. At 14 he played Jack in Mother Goose and in 1925 he landed his first London stage role.

After appearing on Broadway in 1932, in Earl Carroll's Vanities, he brought his madcap humor and acrobatic dancing skills to many musicals and comedies in Britain.

His career went into a decline but was resurrected when his comic talents and clown face, having attracted the attention of Beckett, landed him parts in "Waiting for Godot" and "Krapp's Last Year."

He played an unforgettable Archie Rice in a 1974 revival of John Osborne's "The Entertainer," a role already immortalized by Oliver.



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Le Pen Comment Gets 1 Franc Fine

PARIS — Jean-Marie Le Pen, the French extreme rightist leader, was ordered Wednesday to pay a symbolic one franc in damages for having described Nazi gas chambers as a "detail" in the history of World War II.

A civil court in the Paris suburb of Nanterre ruled that the leader of the National Front Party had committed a fault "for which he cannot say that he was only making use of his freedom of speech."

Mr. Le Pen made the statement, which sparked widespread outrage, in a radio interview in September 1987.

"I'm not saying the gas chambers didn't exist," he said in the audio interview. "I did not see them myself. I have not studied the question, but I think it is a mere detail in the history of the Second World War."

The court ruling followed a plea for 900,000 francs (\$160,000) in damages from nine groups representing Nazi death camp survivors and their descendants.

The symbolic franc is used in France when the court feels that the complaint is justified but that there is no way to assess damages.

The suit was the latest in a series of problems for Mr. Le Pen, whose anti-immigrant platform has helped his popularity soar.

Most recently, the desecration of a Jewish cemetery in Carpentras, in southern France, prompted national outrage against rightist groups. Although Mr. Le Pen denied involvement in the desecration, his National Front was held responsible for creating a climate of racial hatred in France.

On Wednesday, the police in the southern French town of Albi freed

eight far-right "skinhead" hoodlums after holding them for questioning for several hours to check their whereabouts at the time the Jewish cemetery was desecrated.

They were among 15 people detained in a dawn sweep on suspects already under investigation for the desecration of a Christian cemetery in November 1988, police sources said. The others were released earlier.

It was the second time that "skinheads" have been detained, questioned and released.

The government has assigned 60 criminal police specialists to the case, but the investigation appears to have few solid clues to go on.

In a separate incident earlier this year, Mr. Le Pen ran into trouble with "black" over his remarks. In March, the European Parliament lifted his parliamentary immunity for a second time in three months at the request of French judicial authorities.

He was charged with insulting a minister after making a pun on his name that referred to gas ovens, and he is also due to face charges about statements in which he said "international Jewry" was fomenting "anti-national feeling" in France.

An increasing number of French towns, including Mr. Le Pen's native Le Havre-sur-Mer in Brittany, have banned his public rallies for fear of incidents.

Mr. Le Pen has been a mainstay of the French extreme right for three decades, but has only made gains in opinion polls in the last six or seven years as more French reacted to what they saw as the flooding of their country by Third World immigrants, particularly North Africans.



HOLY ROLLER — A nun in West Berlin got a flying start Wednesday, designated West Germany's "day of Catholics."

EUROPEAN TOPICS

A Single Phone Code For Dialing From EC

The EC wants a common code — 00 — for international telephone dialing from all 12 of its countries, according to Franco Maria Pandolfi, the commission responsible for telecommunications.

The commission attaches a high priority to progress in this area for the benefit of the European citizen, Mr. Pandolfi.

The codes are currently 09 in the Netherlands, 07 in Spain, 00 (Europe) and 097 (elsewhere) in Portugal, 19 in France, 009 in Denmark, 010 in Britain and 16 in Ireland; 00 is in place in West Germany, Greece, Italy, Luxembourg and Belgium.

Mr. Pandolfi said that the 00 code was recommended by a 1972 European telecommunications conference, but that progress toward adopting it was slow because in many countries it re-

quired "revision of the telephone numbering plans."

In October, the EC Commission announced that by 1995, member countries would have one emergency number — 112 — to call police, fire fighters and ambulances.

Minds and Spirits To Focus on Future

The Stedelijk Museum, Amsterdam's primary modern-art facility, is to bring together international prominent economists, scientists, artists and religious leaders to discuss the future of the world before an audience of several hundred people, many of them businessmen.

The five-day event, called "Art meets Science and Spirituality in a Changing Economy," is intended to encourage cross-cultural, long-term thinking in a world of blurring change.

It was conceived by Louwrien Wijers, a journalist and writer who founded the Amsterdam-based association that is organizing the event. It will be sponsored by about 20 Dutch companies.

"This is management development," said Paul Feintner van

Wissingen, chairman of the trading company SHV Holdings, one of the sponsors. "In a world which changes so fast, we need managers who understand change and do not shy away from it."

The Dalai Lama, the self-exiled spiritual leader of Tibet and winner of the 1989 Nobel Peace Prize, will open the proceedings Sept. 8. He will join the American painter Robert Rauschenberg, the American nuclear physicist David Bohm and the Soviet economist Stanislav Menshikov Sept. 10 in the first of five panel discussions.

East and West Germany may soon be on the same wavelength after short-wave radio facilities in each agreed to study possible cooperative broadcasting. Deutsche Welle, West Germany's state-owned short-wave station, may merge with Radio Berlin International once the Germans are reunified, a Deutsche Welle official said. A joint committee is to examine the possible merging of frequencies, programs, staffs and finances; its conclusions are to be submitted by the end of the year, the spokesman said.

Spanish television will continue broadcasting bullfights abroad despite protests from British animal lovers, a spokesman for Spain's state television company said. He said that Britain's Cable Authority, which had relayed complaints from viewers, accepted TVE's explanation that bullfights were a Spanish tradition and were broadcast on its international satellite channel mainly for the benefit of Spaniards living abroad.

The British are regarded by their Continental neighbors as the slobs of Europe, according to She, a British women's magazine. The monthly said that other Europeans consider British men ill-mannered and chided British women for dressing badly and shouting at their children in public. "We go out without combing our hair, wear the same shoes two days running and throw rubbish out of our car windows," the magazine said. If the British want to join the "nouveau European" elite, she said, their manners, attitudes, habits and appearance need "a complete overhaul."

Sytske Looijen

Poles Are Unraveling the Ties That Bound Them to Soviets

By Stephen Engelberg

New York Times Service

WARSAW — The Solidarity-led government has begun to unravel the economic, foreign policy and intelligence links that bound Poland to the Soviet Union through 45 years of communism.

The chief of the newly inaugurated security service, the Office for Protection of the State, declared recently that Polish intelligence would operate wholly independently of direction from the Soviets.

Poland said last week that it had reached an agreement under which its trade with the Soviet Union would be paid for in convertible currency and at market prices beginning in 1991. Both the Poles and the Soviets complain they have been the losers in the existing arrangements, which rely on barter and exchange of rubles.

Krzysztof Kozłowski, a Solidarity member and journalist who was named deputy interior minister in March, said Poland's intelligence efforts would focus on the countries of Eastern Europe and on what he termed "economic reconnaissance."

"Economic intelligence consisted in the past of stealing Western technologies," Mr. Kozłowski said. "This was the inheritance from the times when Poland and the whole of Eastern Europe were very distinctly isolated from the West."

Shuttle Repair Is Completed

The Associated Press

CAPE CANAVERAL, Florida — Two weeks of work to replace a faulty cooling valve has been completed, clearing the way for the launching next week of the space shuttle Columbia, NASA said Wednesday. Columbia will carry aloft the \$100 million Astro observatory.

"Today we are entering a world that is quite different. We need enormous amounts of information about a world which in all reality remains largely unknown to us, information about the world of business and its actions, its habits, its customs, even specifically about potential partners."

Mr. Kozłowski did not make clear how this new data would be gathered. At one point, he said it would be gleaned by economic attaches in embassies, at another he said it should come from "all possible sources."

Mr. Kozłowski's remarks were made at a delicate moment. This month, Poland, Czechoslovakia and Hungary petitioned the United

States in writing for more liberal exports of high technology equipment, saying they would set up mechanisms to prevent diversion to the Soviets.

An administration official in Washington said that talks were under way and that any deal would be worked out country by country.

Throughout the years of Soviet domination over Eastern Europe, the intelligence services in the region were viewed by the West, in varying degrees, as extensions of the KGB, the Soviet intelligence agency.

Mr. Kozłowski said last week that he believed the extent of Soviet control had been overstated in the past. He said Poland was now returning to Europe, a situation that

made intelligence cooperation with the North Atlantic Treaty Organization "indispensable."

"You cannot imagine effective fighting of terrorists without close cooperation with the European services, which have the greatest experience and knowledge," he said.

When it was under Communist rule, Poland was known among counterterrorism experts in the West as a transit point for various Middle Eastern groups. U.S. intelligence had reports in the mid-1980s of a training camp in the country.

In his comments last week, Mr. Kozłowski stressed Poland's independence in foreign and intelligence policy.

Poland is pursuing an aggressively independent foreign policy to-

ward its neighbors. The government has been openly supportive of Lithuanian independence and recently announced that it was setting up a commission to seek reparations from the Soviet Union for all Poles victimized by Stalinists.

On the economic side, Polish officials acknowledge that they will remain dependent for years on the Soviet market. But they said the previous system of barter and payment in rubles at prices well below world levels resulted in advantages to the Soviet side, which in turn contends that it has been given shoddy goods in exchange for its valuable gas and oil.

Poland has supported continued stationing of Soviet troops on its soil until a new treaty is signed

guaranteeing its borders with Germany. But officials say privately that they expect the Soviets will be gone within the foreseeable future, although haggling over the bill for damages will likely last considerably longer.

Bronislaw Geremek, the Solidarity leader in Parliament and a leading exponent of Poland's foreign policy, said in an interview that the country was struggling to shape a new relationship with Moscow.

"Our problem is that Poland is a very anti-Soviet country," he said. "The question is how to obtain good relations with the Soviet Union — because we need it — and then get approval in public opinion for a relationship with the Soviets that is good, but never privileged."

Peace Corps Program Facing an Uphill Fight

By Bill McAllister

Washington Post Service

WASHINGTON — On the eve of its 30th birthday, the Peace Corps is facing serious problems in recruiting, assigning and retaining its volunteers, the General Accounting Office has told Congress.

Despite those difficulties, Sergeant Shriver, the first director of the Peace Corps, has called for more than doubling the number of volunteers and for sending 10,000 Americans into the Soviet Union and Eastern Europe.

Such a gesture, he told the House Subcommittee on Legislation and National Security, would demonstrate dramatically that the program, founded in 1961 by President John F. Kennedy, is alive and well. In those days, the Soviets rejected Peace Corps volunteers, Mr. Shriver said. This did not mean that President Mikhail S. Gorbachev would turn them down now.

Although enthusiastic about the future of the Peace Corps, Mr. Shriver called its proposed budget of \$181 million for the 1991 fiscal year a "national disgrace." He said the organization could not meet its goals with that level of funding.

The current director of the Peace Corps, Paul D. Coverdell, spoke optimistically of the plan to send volunteers into Eastern Europe.

And though he was favorable toward the administration's proposed increase in the Peace Corps' budget, he said the organization would remain well below its congressionally mandated limit of 10,000 volunteers.

Mr. Coverdell also said he agreed with GAO's assessment of the Peace Corps' problems. The auditing arm of Congress said that the Peace Corps had only 6,500 volunteers at the end of last year, had made poor assignments, and that one in three volunteers quit before the end of their two-year terms.

"All the points this report makes are valid," Mr. Coverdell told the subcommittee. He said he had begun to address all the problems.

Thai Leader Sees Truce In Cambodia

The Associated Press

BANGKOK — The four warring factions in Cambodia have agreed to sign a cease-fire pact soon, the prime minister of Thailand was quoted as saying Wednesday.

Radio Thailand said that Prime Minister Chatichai Choonhavan, a mediator, mentioned a possible truce while speaking about talks on the Cambodian conflict scheduled for Tokyo June 4-5. A pact would be the first significant agreement reached in 11 years of war. In the past, all sides have reneged on promises of agreements.

"It is certain that the four Cambodian factions have agreed to sign a cease-fire agreement soon," the radio report summarized Mr. Chatichai as saying.

It said that he conferred Tuesday in Bangkok with Foreign Minister Nguyen Co Thach of Vietnam, which backs the Pnom Penh government in its fight against three guerrilla groups.

Prince Norodom Sihanouk, the main non-Communist guerrilla leader, said in a statement issued Wednesday in Bangkok that General Chaovalit Yongchaiyut, Thailand's army chief and the main broker of the proposed truce, persuaded him to attend. But Prince Sihanouk said an agreement would commit only himself, since he recently resigned as head of the guerrilla coalition.

Hun Sen, Cambodia's Communist prime minister, has said he will attend the Tokyo talks. Son Sann, leader of the non-Communist Khmer People's National Liberation Front, another guerrilla group, will be in Tokyo, a spokesman said.

Vietnam invaded Cambodia in 1978, ending nearly four years of bloody Khmer Rouge rule, an installing Hun Sen. He, Prince Sihanouk and Son Sann have advocated a truce, but the Khmer Rouge, with the largest guerrilla army, has said it wants a cease-fire only amid an overall political settlement.

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INTERNATIONAL Herald Tribune

Published by The New York Times and The Washington Post

Why Not Talk Peace?

The latest explosion in Israel and the occupied territories shows that Palestinian nationalism, far from being contained, is still an immense popular force. A damaged young Israeli killed seven Palestinians, an event that would normally have been taken as an accidental tragedy. But in the existing circumstances of intense Israeli-Palestinian tension, it touched off widespread demonstrations, some becoming violent, among Israel's own usually quiet Arab citizens, and in the West Bank and Gaza and east of the Jordan River among Jordan's Palestinian majority, too. On their side of the river, Israeli security forces by Tuesday had killed a dozen or more Palestinians and injured hundreds, a toll that was further enflaming the general Arab rage.

The sequence is not merely horrible, it is unnecessary. Events like these are not fated. They are accidental in that they could conceivably be prevented by wise political decisions. Currently, about half the Israeli electorate favors entering American-arranged talks with Palestinians. Control of the Israeli government, however, is in the hands of the other half of the electorate, which rejects talks. With the safety valve of talks open, would the killing of the seven have escalated so sharply into Israeli-Palestinian confrontation? The State Department got it right: "In

the absence of the peace process, the potential for this kind of senseless violence and spiral response afterward goes up."

As Israelis ponder the making of their next government, their friends can hope that they consider what they actually want from the Palestinians. Eighteen months ago, the PLO formally renounced its aim to destroy Israel and accepted the idea of two states living side by side. To sustain and substantiate this offer in order to win over a skeptical Israeli public is still an essential and continuing Palestinian task. But the basic diplomatic fact remains that Palestinians urge Israelis to accept them and to sit down to negotiate, and Israelis, having begged for a Palestinian "partner" for decades, refuse.

This makes it all the more startling that in the 30 months of the intifada, its hundreds of thousands of Palestinian participants have not taken to arms against Israelis. Only in an atmosphere newly charged with passion does the fear rise — and among anxious Palestinians as well as among anxious Israelis — that this may change. Nothing could better ally these fears than an Israeli decision to do what a fair half of the population is already demonstrably prepared to do: meet the Palestinians currently waiting under an American umbrella, to talk to peace.

— THE WASHINGTON POST.

The Bill Keeps Rising

While President George Bush doubtless had many reasons to seek a budget compromise with Congress, the most compelling one is the soaring cost of the S&L cleanup. His proposed budget last January made very little provision for the S&Ls — one of its many evasions and, as it turns out, the most dangerous. His budget also overestimated revenues and underestimated interest costs, but some of those errors were visible last winter. The surprise this spring has been the acceleration of the federal regulators' drive to end the bankrupt S&Ls' losses by closing them down.

Last summer Congress gave the administration \$50 billion to cover the deposit insurance losses as it shut or sold off these S&Ls. It had spent \$9 billion by April. Then William Seidman, chairman of the Federal Deposit Insurance Corporation, who is running this operation, announced that it was going into high gear with a gigantic plan that would put 141 of the bankrupt thrifts out of business by the end of June. That is estimated to cost another \$19 billion of the insurance money. But there will still be hundreds of S&Ls, failed or failing, to deal with. The implication is that by the end of the fiscal year in September the administration will have gone through most of the

deposit insurance money that Congress provided, with the job still far from finished. Covering the insurance losses is only part of the cost to the government. It also needs money — working capital — to acquire the failed S&Ls' assets, mostly foreclosed real estate, and hold them until it can sell them off. Presumably this money will eventually come back to the taxpayers, but in the meantime it is counted in the budget as spending.

Largely because of the S&Ls, it now appears that the budget deficit this year will be much higher than President Bush's estimate last January of \$124 billion. The S&L outlays are extremely hard to forecast, but any realistic calculation of next year's deficit would have to run at least twice as high as the limit of \$64 billion set by the budget law. It would be possible to hold down these costs by slowing the resolution of the failed S&Ls and allowing some to continue longer in business. But they are losing money heavily, and to let them go on would merely run up the ultimate costs to the taxpayer. The administration is right to push the cleanup as fast as it can. If the consequence is to force it to come to terms at last with the arithmetic of the budget and the need for more taxes, that will be further reason for applause.

— THE WASHINGTON POST.

A Noriega Trial Deal

When the United States swooped down on Panama last Christmas and captured Manuel Noriega, it pledged a model criminal trial. Prosecutors and defense lawyers have just struck a deal that fits another kind of model. It ensures that his lawyers will be paid, apparently in return for agreeing not to demand evidence that might help their client and hurt the U.S. government.

Ensuring payment to lawyers is known as Rule One of criminal procedure. It is a time-honored precept that the Justice Department seemed to ignore when it froze the deposed leader's bank accounts as the forfeitable earnings of the illicit drug trade of which he is accused. In exchange for their full fees, the lawyers agreed, for the time being at least, to relax their demands for evidence about secret U.S. payments to him over the years.

The lawyers complained that freezing their client's assets threatened his ability to pay them and thus to defend himself. And they backed up that complaint with a threat to resign, leaving the former general in the hands of federally subsidized but underpaid attorneys. That would have been unfortunate in a case of this importance. But if the lawyers have now forced the government to back down, they may also have bargained away their client's

right to evidence and paid too high a price. Under a 1984 law and a 5-to-4 Supreme Court decision, the assets of narcotics defendants can be deemed forfeitable as of the time they committed the crime for which they are to stand trial. If they are convicted, their lawyers may find that they must also forfeit their fees, unless they prove that they are utterly ignorant of the illicit source. That is enough to discourage many lawyers from taking such cases.

In upholding the forfeiture law last year, the Supreme Court reasoned that the right to counsel does not mean the right to counsel you cannot afford, and if your fee money is ill-gotten you cannot really afford the lawyer of your choice. There was a rough equality in that reasoning — rich and poor alike are deprived of the presumption of innocence. But now Mr. Noriega's lawyers turn that reasoning around, forcing the government to provide the general with a uniquely fair shot at defending himself.

Only the fine print will show whether the defense really means to waive the use of potentially embarrassing evidence that might bolster Mr. Noriega's claim that Uncle Sam winked at his drug dealings.

If the U.S. government was complicit, the American public ought to know it.

— THE NEW YORK TIMES.

Other Comment

Waiting for a Japanese Break

President Roh Tae Woo's visit to Japan [is] the first by a Korean head of state in six years. The two countries are again feuding over whether the Japanese emperor should apologize for his country's 35-year occupation of Korea. President Roh has made plain that what Koreans want is a "clear apology" from the emperor. As an adviser to President Roh remarked rather sarcastically: "I don't know about the new constitution. But in the years Japan occupied Korea, they didn't say the emperor wasn't important. Everything was done in the name of the emperor."

Many in Asia would echo his sentiments. Although other Asian countries endured shorter Japanese occupation during World War II, their experiences were not much less unpleasant. And while these countries may display less overt anti-Japanese feelings than the Koreans, the fact remains that suspicions about the Japanese still run very deep in most of Asia. Considering that 45 years have passed since the war ended, and the good behavior and generosity, at least with money, that the Japanese have shown, something is

obviously wrong [with Japan's] relations with its neighbors. The biggest wrong, for the Koreans as well as for other Asians occupied by Japan during the war, is that the Japanese have yet to come to terms with their past.

— THE STRAITS TIMES (Singapore).

Qualifying for IMF Funds

A significant development signaling the beginning of a new era of realigned global economic order follows the recent G-7 meeting in Washington which enabled the capital resources of the International Monetary Fund to increase from \$120 billion to \$180 billion, a boost of 50 percent. The conservative view among Western alliance countries is that the resources of the World Bank and the IMF should be placed at the disposal of private entrepreneurship and market economies, but not through state financing. The implication for the developing world is that it cannot effectively stimulate private enterprise with public money [and at the same time] qualify for the enlarged resources of the IMF.

— Dialogue (Dhaka, Bangladesh).

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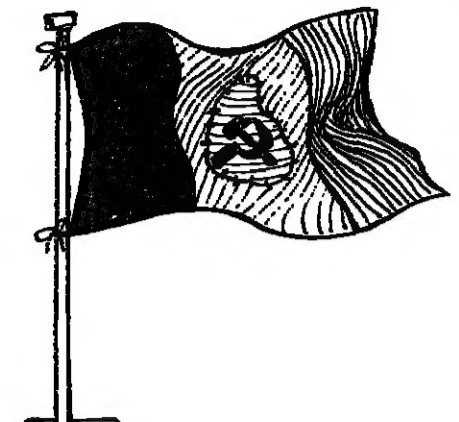
OPINION Hurrying to Reconstruct Before Collapse

By Jim Hoagland

PARIS — Romania's one-sided election results do little to dispel a feeling that the country has undergone a prison riot, not a revolution. The toughest and smartest inmates killed the cruel warden and have taken over.

In neighboring Bulgaria, the reformed and renamed Bulgarian Communists, now known as the Bulgarian Socialists, have a good chance of winning the June 10 parliamentary elections they have organized. As in Romania, Tammany by way of Moscow looks like a heavy favorite.

Abruptly liberated from Soviet control last year, East European nations have set about liberating their political and economic structures through elections. The results are uneven. Poland, Hungary and East Germany conducted genuinely free elections before Romania's seemingly tainted exercise, in which the winning presidential candidate got 86 percent of the vote.



BARINGEN

Czechoslovakia and Bulgaria vote next month. How should the West respond to the opportunities and dangers created by the collapse of the Soviet empire? An embarrassing silence has greeted this urgent question. But under pressure, a formula for dealing with the East is emerging, with a shrewd mixture of carrots and guardrails.

These elements were on display last weekend as the world's industrial democracies agreed to form a development bank to aid Eastern Europe. But more than a bank came out of the Paris deliberations. A meeting of the minds between Americans and Europeans over some of the important elements of the post-war order.

An invisible American hand helped craft the compromises needed to site the European Bank for Reconstruction and Development in London and to make Jacques Attali, a close aide to French President François Mitterrand, its chief executive. U.S. Treasury Secretary Nicholas Brady quietly brokered the package arrangement with the British and French, who also agreed to Mr. Brady's suggestion to share equal status in International Monetary Fund rankings.

This is a formula in which the United States maintains a low profile but exerts decisive influence behind the scenes. It could become a model for what the Bush administration hopes to accomplish by working through the Europeans as change in the East enters a new and trickier phase.

The development bank, with initial capitalization of about \$12.5 billion, will be formally inaugurated on May 29. The carrots it plans to hold out are soft loans to former Communist governments that move decisively to free-market systems and full democracy.

The idea of including the Soviet Union as one of the bank's 42 founding members initially caused heartburn both in Washington and in Moscow. American ideologues wanted to keep Moscow completely outside the first East-West

institution to be created in the aftermath of the Cold War. Their Soviet counterparts argued in Moscow against accepting the bank's charter and its praise for free markets.

But a compromise built on American principle and European flexibility was reached. The Soviets will initially only have the right to draw loans equal to the amount of capital they have on deposit in the bank. In accepting the bank's charter, Moscow commits itself to apply "the principles of multiparty democracy, pluralism and market economics" as a condition for receiving future loans.

The founders of the bank recognize the need for guardrails in Eastern Europe in case the Soviet Union does not complete its promised economic and political transformation. Growing concern about the collapse of authority in the Soviet Union underlines the need for institutions that link the former satellites firmly to the West and could enable them to withstand the impact of a Soviet crash. The bank should be such an institution.

The possibility that the Soviet Union will break up under the intense pressures it confronts has become a strong theme in foreign policy planning in the West. The fear of one of the world's two nuclear superpowers collapsing into chaos increasingly drives Western foreign policy calculations. This possibility will hover like a dark cloud over the Gorbachev-Bush summit in Washington next week. Says a senior Western diplomat: "At whatever high-level meeting is held, there are really only two big questions on the agenda: How well is German unification going? How badly is the Soviet domestic situation going?" Adds a colleague: "Last year we were racing to keep up with the opportunities in Eastern Europe. This year we are racing to keep in front of the dangers that exist in some of those countries and in the Soviet Union."

Managed properly, the development bank will be an important asset in meeting both the opportunities and the dangers. The West has taken an important first step toward defining in concrete terms the kind of Europe it wants to see in the year 2000.

The Washington Post.

Atlantic, Pacific: Not Either-Or but Both-And

By Gerald Segal

LONDON — The United States and the Soviet Union, for all their recent decline in influence, remain the only two major powers with a foot in both the Atlantic and the Pacific regions. With less than a decade to go before the 21st century, geopolitical optimism may be passing to the Atlantic, but both worlds must learn to work together.

George Bush, unlike Ronald Reagan, is an East Coast president. There is strong momentum for a single market in Western Europe in 1992. Communism collapsed in Eastern Europe last year but survived in East Asia. In China it did so with repression and bloodshed.

It would be easy for Europeans to blast over this apparent reversal of regional fortunes. It was only a few years ago that some Asians were speaking derisively of Euro-sclerosis. But the best reasons to take the Pacific seriously did not involve regional integration. They were far more concerned with the way parts of the Pacific meshed with global trends.

What is needed is greater integration among the three legs of the global market economy — Europe, East Asia and North America — and less talk of regional rivalries. There are good reasons to believe that the gap between the fast-

er economic growth rates in East Asia and slower rates in Europe will shrink over the next decade. Some of the erstwhile Communist countries will be integrated into a bigger, market-oriented European economy. Some states will not merge into the EC as fast as others, but the Community can expect higher growth based on inclusion of some low-wage and some newly industrializing economies to undercut the advantages of East Asia.

Much of the optimism about East Asia was based on China. Since the crackdown on the pro-democracy movement last June, Beijing has not undone the great majority of its reforms, especially in foreign policy. China's trade gap has turned into a surplus in 1990, and China remains an important partner for many Pacific states.

But high foreign expectations about the potential of the China market have been dashed. China is once again seen as politically unstable, economically unreliable and perhaps a military threat as well. Some other rapidly developing East Asian countries, notably South Korea and Taiwan, have also been slowed by economic and political disturbances.

It seems clear that international finance will flow from East Asia to Europe. U.S., European and even some Japanese and Korean investors will be looking to an enlarged market economy in Europe for low-wage but highly skilled export bases.

Also, the Atlantic is likely to set limits on military rivalries, while Pacific states seem unable to build a framework for common security.

Yet it would be shortsighted for the Atlantic to dismiss the Pacific. Instead there should be a formula for cooperation. Regional demarcations should not be allowed to limit the free flow of technology, capital and goods. The successes of the Pacific and Atlantic economies were built on global interdependence. Trade within regions increases, but no faster than it does in the world economy.

Military security cannot be required on a regional basis. Nuclear weapons know no boundary. All nuclear powers, including China, need to be integrated into arms control. Even for conventional forces, arms control makes far less sense when it is not part of a global process.

Setting overall ceilings on numbers of troops or ships, with specifically negotiated regional subce-

lings, is the only way to cope with the problem of redeployment of forces from one region to another. Wider agreements may also be needed for such future hot spots as Central Asia, where India will have to submit to arms control if it is to be considered a constructive member of the international community.

East Asia is likely to retain its distinctive types of limited democracy and limited Communist reforms. There is much that Europe can learn about effective political systems. In the euphoria surrounding the collapse of communism in Europe, there is a tendency to ignore the East Asian path to prosperity. East Europeans looking for a softer route from communism to capitalism may well be attracted to the model of newly industrialized countries in East Asia. They mix authoritarianism with state ownership and market forces. Some of the success of the Pacific may be vital to success of the Atlantic.

The writer is a research fellow at the Royal Institute of International Affairs in London, editor of *The Pacific Review* and author of the recent book "Rethinking the Pacific." He contributed this comment to the *International Herald Tribune*.

Europe Has Immigration Trouble if It Thinks So

By William Pfaff

PARIS — The most important social problem in the United States is racial accord, discord, integration — or disintegration. That in Western Europe is immigration.

Immigration is an American issue, too, changing the character of American society in deep ways. But because Americans do not regard their nation as socially and ethnically fixed, a permanence, and have never done so, immigration generally is seen as offering opportunities to society and the economy rather than as a threat. The threat is that posed by an unassimilated, alienated, excluded, uneducated and unemployed inner-city population of native-born Americans.

Europe's immigrants, by and large, are assimilable and ambitious. The immigrant population in Britain, largely from the Indian subcontinent, works, mostly has kept family structures and

values intact, and is being more or less successfully assimilated into the British mainstream. But the scale of Britain's immigration is modest, the total under 4 percent of population.

The non-European immigrant minority in West Germany — officially 5.2 percent of the population, chiefly Turkish and Middle Eastern but also from the Indian subcontinent — is not being so successfully assimilated. Turkish children educated in Germany are too often adrift between two cultures and languages, neither firmly Turkish nor fully German.

The West German economy has in the past relied on Turkish and other immigrant unskilled and semi-skilled labor. Now it finds itself flooded with immigrants of German ethnic origin, East German economic refugees and

"Saxons" from the centuries-old German ethnic enclaves in Eastern Europe and the U.S.S.R. The West German government offers its non-German immigrants 10,500 Deutsche marks (\$6,300) to leave. There are few takers. What is there to go back to?

Italy until the 1970s was an exporter rather than an importer of labor, and its immigration today is unusual. It comes because Italy is the European Community country most accessible from Africa, where population growth combines with pauperization to force people into migration.

On the one side of the Mediterranean is poverty and, increasingly, the threat of social and political collapse. On the other side are rich, successful and secure European societies — the privileged of the world. But in those societies immigration is seen to threaten not only the comforts of the rich but also the stability, prosperity and social coherence which make those the countries of the migrants' desperate ambition.

In France, political life currently is dominated by issues of immigration and its exploitation. The number of immigrants is not huge — some 8 percent of total population, officially, with an uncounted illegal immigrant presence. Despite an effort by the government to limit further arrivals, confusion prevails concerning political asylum and family regroupings, which are responsible for a continuing augmentation of the immigrant population by some 100,000 persons annually. Again, subsidies are offered to those who will leave, but only 3,500 individuals accepted that inducement in 1988.

There is, as France's President François Mitterrand has put it, "a threshold of tolerance" in any society, and clearly this has been reached in France. Those who believe in the principle of multiracial society, and favor even greater Western openness to Third World migration, call the idea of racial thresholds racist. But their existence is social fact, deplore it or not.

The left in France, moreover, has exploited the threshold even while deploiring it. President Mitterrand has repeatedly suggested that immigrants be given the right to vote in local elections, while doing nothing actually to accord them that vote. This has served his, and his Socialist Party's, political interests by exciting fears and augmenting support for the xenophobic National Front Party, thereby weakening the mainstream conservative parties which are the Socialists' real rivals.

Similarly, Mr. Mitterrand and the Socialists were responsible for installing proportional representation for the national election of 1986, with the

result that the National Front for the first time won representation in the National Assembly and secured its significant foothold in local government throughout the country.

Having contributed to making the National Front a serious national force, Mr. Mitterrand and the Socialists now are backing away, and have renounced the idea of votes for immigrants. It is a little late. Mr. Mitterrand's popularity has fallen sharply and the public manifests a marked hostility to politicians in general. A poll published in Paris last week showed nearly half the respondents convinced that politicians are corrupt, 39 percent sure that politicians are in politics purely for their own advantage, and 29 percent convinced that politicians are liars. This is a significant level of political alienation and has shocked French commentators.

Racial politics in France are dynamic. Since the war, in Europe, race and immigration have not been major factors in political life. On the other hand, race is crucially important in American society, inescapably part of the United States' historical inheritance, but Americans at least recognize and are prepared to try to deal with it constructively. In Europe, race as such is less an issue than race-plus-foreign-culture. But the differences between culture and race get lost when fears mount. Emotions can be fatal to political conviction and principle. The danger is growing.

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100, 75 AND 50 YEARS AGO

1890: Celebrating Hugo

PARIS — *La Liberté* disapproves of the proposal to celebrate the [fifth] anniversary of Victor Hugo's death. It refers to the funeral demonstration: "Such things cannot be repeated. There are sentiments which flash upon the brain and heart of the masses like splendid strokes of lightning. To try to provoke them anew is to attempt the impossible and to awaken radicals."

1915: Italy Goes to War

ROME — Hostilities between Italy and Austria-Hungary have begun. The declaration of war was signed by King Victor Emmanuel this afternoon [May 23]. Barone Sonnino, Minister of Foreign Affairs, handed the Austro-Hungarian Ambassador the declaration at half-past three, together with a passport, allowing him twenty-four hours to leave the country. All Italy is deluged with joy at the prospect of going to war. Every prince of the House of Savoy will be in the fighting line.

The Focus Of Policy Is Shifting

By Charles William Maynes

WASHINGTON — The end of the Cold War is bringing dramatic changes in policies. But the point of greatest interest to people in Washington is the change in career.

For more than four decades, the smart money in Washington has known that the way to the top was to hone worst-case analyses about Moscow's intentions and to maneuver the "throw weight" of Soviet missiles large and small. The history of postwar administration was an object lesson in the ambitions. Throughout the Cold War, the struggle between those working for a better world and those pressing for a stronger America was a contest between unequals. By the end of the day, the latter had always won.

In administration after administration, individuals like Harold Stassen, Chester Bowles, Adlai Stevenson, Elliott Richardson and Cyrus Vance steadily lost ground. Individuals like John Foster Dulles, Dean Rusk, Henry Kissinger and Zbigniew Brzezinski gained ground.

Invading the causes or approaches associated with the first group of men were weakened. The cause or approaches associated with the second group were strengthened.

Losers pushed issues like the search for superpower accommodation, interest in Third World development and concern about international law and international institutions or global matters like the environment. Winners pushed for bigger military budgets, military assistance to Third World states and an ever widening capability of the Central Intelligence Agency to carry out paramilitary operations in other countries.

By the mid-1970s, the winners had gained the upper hand. On five separate occasions after 1975, military officers served as the president's national security adviser. A general became secretary of state; another headed the Arms Control and Disarmament Agency. An admiral was made head of the CIA; another came the secretary of energy.

Surrounding these men was a small army of military advisers as well as the intellectual warriors who dominated national politics for decades by discovering bomber, missile and war head gaps that always seemed to disappear once victory in the latest election had been secured.

But the task of government is changing, and so must the people chosen to head it. The challenge is now less military vigilance than diplomatic change. Tensions must be relaxed, not maintained. The kind of "follow me" leadership exemplified by the military must give way to a form of partnership.

What will this mean for the young men and women who are now trying to think of ways to make their mark on official Washington?

Economics will be more important than geopolitics, diplomats more important than warriors. Multilateralists, for the first time, will be more important than bilateralists; people who understand international financial institutions may be more valuable than people who know the names of Salvadoran guerrilla leaders.

The National Security Council will lose importance because it is weak in the new subject areas. State and Treasury will regain some of the power they have lost in recent years.

Because so much of the diplomatic agenda will concern issues that impinge on domestic politics, those who understand the game will be abetted and those who can play it will prevail. The much maligned New York and Philadelphia lawyer will again come into his own. This will happen gradually, as Cold War contempt for legal restraints gives way to an understanding that a status quo power like the United States has a vested interest in the norms of law and institutions.

Experts in fields like the environment or development may become serious candidates for major positions in the National Security Council or in the State Department. Like the warriors before them, they will have the critical expertise. People who can discover the connections among several issues will be in greater demand than those who understand every detail about one, however important.

All of these changes are going to be very unfair to those who have spent the last 20 years attending mind-numbing conferences on nuclear dominance, only to find now that they have been going to the wrong meetings. But, after all, shifts in the market are a problem that ordinary Americans have always had to face.

The writer is editor of *Foreign Policy* magazine. He contributed this comment to *The New York Times*.

هكذا من العمل

OPINION

Scary Noise in the Dark?
It's Just Moving Targets

By George F. Will

WASHINGTON — If you blinked, you missed it, although you did not miss anything much. The budget drama was as surreal as "Twain Peaks," but had a shorter run. It is over. The four essentials of the probable agreement are apparent.

Gramm-Rudman will be changed; the costs of the savings-and-loan debate will not be counted in deficit calculations; there will be a small bow toward honest accounting regarding Social Security, but not change in the use of the money; and Congress and the president will announce themselves too responsible to cut the deficit by more than, oh, 17 percent.

The "requirements" (graciously met) of Gramm-Rudman deficit reduction will be relaxed, yet again, to make them easier to meet. Or, to be precise, the targets will be moved so that they will not be missed by such ludicrous amounts. An administration official says, solemnly, that because of the Gramm-Rudman requirements, "We are condemned to succeed." Rubbish. They will succeed by semantic fiat.

This will be done to serve the single imperative governing the budget process — the political convenience of the participants. But it will be justified with reference to what will be done with Social Security. Senator Pat Moynihan has inconveniently proposed honesty. The budget deal will use just enough honesty to facilitate a larger farce.

Mr. Moynihan proposes putting

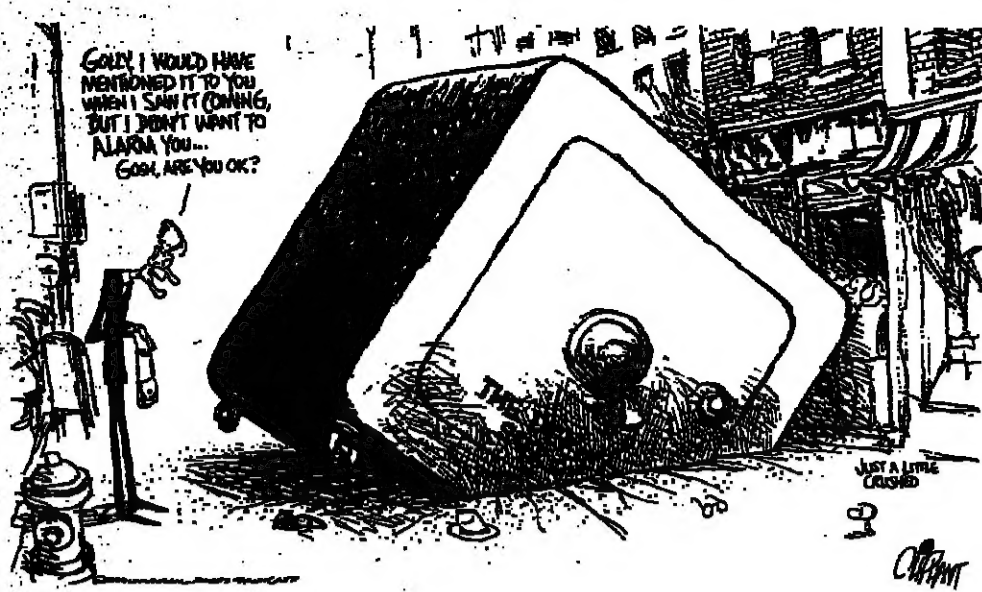
Social Security pretty much on a pay-as-you-go basis, cutting the payroll tax that is producing a gusher of surplus revenues. They slosh around with the general revenues and slosh out from the government in spending of all sorts, disguising the real operating deficit.

The budget deal may well take Social Security out of the deficit calculation, thereby revealing the deficit to be more than \$60 billion higher than current bookkeeping makes it seem. This \$60-billion swerve toward honesty (only toward; we will not be there until other trust funds — highway, airport, military and civil-service retirement — are removed from the calculation) will be used to justify despairing about and hence relaxing the Gramm-Rudman requirements.

But the Social Security revenues will still be spent, as usual. Next, no? Honesty, used sparingly in drabs and drabs, can be politically useful: By removing these revenues from the deficit calculation, the budget-makers will justify relaxing the deficit-cutting requirements, without interfering with the fun of spending the money.

But Mr. Moynihan's proposal for real reform — not using a regressive payroll tax to run the government — stands little chance in a Washington reform contest. (Charlie Chaplin once entered a Charlie Chaplin look-alike contest in Monte Carlo. He finished third.)

Next, the budgeters will agree to keep the costs of the savings-and-loan bailout out of the deficit calculations, lest anyone get an alarming



inking of the leading away of America's future. Finally, both sides will become most awfully solemn in saying that there is a consensus that, with the economy softening, this is not the time to cut the deficit by more than, say, \$50 billion (about 17 percent of the honestly calculated deficit of \$280 billion).

Hmmmm. We went in, in a blink, from "The deficit doesn't matter and, besides, it is evaporating in the heat of economic health" to "The deficit is so damn big we dare not do more than prune it, lest grass grow in the streets of America's cities."

What caused this shift from piñonismo to fortissimo? From time to time, astronomers have correctly

postulated the existence of heavenly bodies that were not (yet) observable. They do so by inferences from the behavior of bodies that are observable. Those bodies are behaving in ways best explained by gravitational effects of bodies as yet unseen. So: What can we infer from this changed behavior, that President Bush has seen? Or: What is he inferring on the basis of changes he has seen in the economy?

President Bush says he does not want to frighten us. (Said Fred Astaire to a new dancing partner: "Don't be nervous. Just don't make any mistakes." Reassuring.) That is why he will not say what he has seen that caused him, just a few months

after saying that everything was hunky-dory, to say that the deficit problem is "urgent."

To be precise (more precise than he is about economic projections), what he says is: He is reticent lest he "inadvertently" frighten financial markets by exaggerating the budget problem. Is the budget the "urgent" problem he has in mind? Oh, well then, try this: Do not exaggerate, inadvertently or otherwise.

Here is a suggestion for the budgeters: Try the truth. It is not cocaine. It is not illegal, and not habit-forming. The Budgeters can be occasional users, and this would be a good occasion.

Washington Post Writers Group.

What Did You Do That For, Hija?

By Ana Veciana-Suarez

NEW YORK — She was always the first one up and the last to bed. Her woman's work was never done. She used to say that when all of us were grown, she would retire to a little house on a quiet beach where the waves would lull her to sleep. I could barely tie my shoes and I already knew I didn't want to be like her, surrounded by wailing children and interminable loads of laundry.

I remember her endless talk about a better life, remember seeing it in her pleading eyes, feeding it in the callousness worn by field and factory. I knew I wouldn't be like her, with that patient yearning, those misplaced aspirations. I wouldn't wait for others, certainly not for the next generation. I'd do it myself.

She always said education was the answer to many prayers, the tool with which one pulled the family up by the bootstraps. But her version of an education was different from mine. She meant a profession, such as law or medicine; I thought it was reading great works of literature and sitting around a conference table to discuss them. I was such a narcissistic fool that I corrected her grammar.

Miles away and years later, I persist with this undeniable truth: I am not her favorite. I am too sharp-tongued, too headstrong, too full of myself. She denies preference, of course. Always has, always will. But I know better.

We shared few interests, my mother and I. The values she believed in I took great pains to scoff at. What I cherished she couldn't make sense of. Often at odds and sometimes in anger, we didn't understand what drove the other. It is not that we refused to cross each other's boundaries. It is, quite simply, that she comes from another generation and a different world.

She cannot read what I write. Bifocals perched on her nose, lips pursed in anticipation, she must ask my father to translate into Spanish. As a woman stuck at home with few opportunities, she keeps paying the price of a mother's labor.

She still believes in appearances, in holding up and keeping firm. It mortifies her to no end when I go to the hardware store in flip-flops and paint-splattered shorts. She would like me to change into a skirt and stockings, in case I meet a colleague. She does not realize that most of the other shoppers in the home-improvement warehouse are dressed as I am on a Saturday morning.

Last week I showed her the old bed of rocks by the pool where I had planted pink and purple periwinkles. She was not impressed. She grabbed my hands, palm side up, until the blisters shone in the morning sunshine. "For this you went to university?" she asked reprovingly. If it were up to her, I would do no hard labor.

We are different, but the same. When my children were born, the long biological chain, that irrevocable bond, started over again. At least once a week one of them claims that I play favorites. Now my work is never done. I have infinite hope, and my vision of education differs considerably from that of my offspring.

Yet I'm still too sharp-tongued, too headstrong, too full of myself, and she doesn't waste a minute in telling me.

I don't dream of retiring to water-front property where the ocean waves will lull me to sleep, but I do indulge myself in believing that one day I'll be supremely wealthy, rich enough to buy her a cottage with white sand stretching for miles on either side. Maybe then I'll be her favorite. Just wait. I want to tell my brothers and sisters. You'll see. But when I do, she will likely ask me: "What did you do that for, hija? What do I want with all this luxury?"

Cox News Service.

Letters intended for publication should be addressed "Letters to the Editor" and contain the writer's signature, name and full address. Letters should be brief and are subject to editing. We cannot be responsible for the return of unsolicited manuscripts.

LETTERS TO THE EDITOR

A deranged Israeli has slain seven Arabs. In 1985, a deranged Egyptian soldier killed seven Israeli tourists near Tabá. The Egyptians reportedly refused medical care to the wounded, and some may have died as a result. There was no rioting by Israelis, nor any call for a Security Council meeting. The Egyptians' explanations were accepted, and the incident was closed.

In the recent incident, Israeli ambulances rushed to the scene and provided prompt medical attention. But Arabs went into a fury of calls for revenge.

What is needed is moderation by the Arabs and final acceptance of Israel's existence, not Yasser Arafat's sham recognition. As long as Israel's very existence is threatened on a daily basis, peace cannot come.

FRED LEHMANN, London.

Richard Cohen does us Jews a disservice by arguing ("A Tragedy Followed by Propaganda," *Opinion*, May 23) that the incident of the berserk Israeli soldier killing seven Palestinians was a tragedy followed by Arab propaganda. It was, in fact, a tragedy followed by the massacre of at least another 10 Arabs killed and many more wounded by Israeli troops in just two days.

Only by firmly condemning Israeli misdeeds while defending the right of Israel to exist, rather than brushing such misdeeds under the carpet, shall we Jews, Israelis or not, be able to bring peace nearer between Israel and the Arabs.

MAXIM GHILAN, Paris.

Regarding "From Jordan, a New Bid to Free the Dove" (*Opinion*, April 28) by Hassan bin Talal:

Certainly the *intifada* has been an unusual test for Israel, but rarely has an uprising of such magnitude been contained with such moderation. One hates to think of the casualties had this revolt happened in another country in the area. Think how many thousands of Palestinians were killed in a few days in Black September in Jordan. Or remember the 20,000 civilians massacred by President Hafez Assad of Syria in Hama, and whole villages gassed in Iraq.

The Palestine Liberation Organization and *intifada* leaders may think that they will tire the Israelis and end up occupying all of Israel. More likely the opposite will be true, and many Palestinians will leave the country.

J. HAZAN, Paris.

Regarding "Israel, Too, Might Discover the Other Side Is Human" (*Opinion*, May 9) by Anthony Lewis:

The problem is not Israel's denial of the Palestinians' humanity, but the contrary. Most of the Arab world speaks of the Zionist "entity" and refers to Jews as a sort of plague to be annihilated.

CHRISTOPHER HOUSTON, Milan.

Auschwitz Memorial

Polish officials who held talks with Jewish academics in Oxford recently took back to Warsaw a series of proposals designed to prevent the site of Auschwitz from becoming a tourist trap. The proposals, contained in a document called "The Yarmon Declaration," after Yarmon Manor where the meeting took place, were prepared by 30 leading Jewish academics from seven countries.

The symposium, attended by the Polish deputy minister of culture, Marzalek Mlynarczyk, and two members of a Polish government committee on Auschwitz, agreed that exhibits at Auschwitz should show that most of the victims in the camp were Jewish. At

monopoly of suffering. The declaration says exhibitions should show the contribution of Jews to Polish life. Signposts and descriptions should be in various languages including Hebrew.

Sir SIGMUND STERNBERG, London.

A Name for Europe

In response to "Looking Ahead to a More Federal Europe" (*Opinion*, May 12) by Valéry Giscard d'Estaing:

Valéry Giscard d'Estaing envisages a Europe with a "federative approach" applied to matters administered in common, and the decentralization of those powers concerning each member's national identity. The concept is in urgent need of a name. I would propose the Condominium of Europe, from the Latin terms meaning "together" and "ownership."

The term is now applied to apartment buildings in which the apartments are individually owned but specified functions are jointly administered — a close analogy to the relationship recommended by the former president of France.

"Confederation" — a loose alliance of political units — would be a less appropriate term. It fails to emphasize the continuing separatism, as sovereign entities, of the member states.

JULIE DARLITZ, Geneva.

Not by Calories Alone

Regarding "Well, Do They Live to 150?" (*Letters*, April 24):

The suggestion that starving Third World peoples would provide a ready-made pool of subjects for experiments on the longevity effect of a low-calorie diet ignores the essential fact that the diet in question — as discussed in the report "Dieting Animals Put Researchers Within Grasp of Methuselah's Secret" (*April 18*) — contains all the essential nutrients.

KARIN PALMER, Luxembourg.

Leave It to Theology

Regarding the report "Bells and Angels' Voices: Joan of Arc's Visions Reappraised" (*May 3*):

The theory that Joan of Arc had a form of epilepsy is a well-worn historical hypothesis. For many years, historians kicked around the idea that St. Joan might have been afflicted with tuberculoma and temporal-lobe epilepsy, which would account for her odd behavior and experience of "voices." Long ago, though, they set this hypothesis aside, because it is improbable from the extant evidence. Indeed, any naturalistic interpretation of Joan of Arc must fall short of invalidating her "voices." Their ultimate validity is a matter for theology rather than history and neurology.

TERENCE R. MURPHY, Assistant Professor of History, American University, Washington.

Lighten Up

Regarding "Comedy, Satire and Insult" (*Weekend*, April 13):

The two fundamental reasons for so many protests about offensive jokes: (1) It is now politically convenient for minority groups to cry foul anytime something even hints at racism. (2) A lot of people just don't have a sense of humor.

Banning jokes does not make prejudices disappear. Jokes are a result of prejudice. Offensive jokes are a small price to pay when we consider the alternative: the loss of freedom of speech.

BRAD JOHNSON, Krefeld, West Germany.

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Shevardnadze-Genscher Talks Raise Bonn's Hopes on Unity

By Marc Fisher

Washington Post Service

GENEVA — The Soviet foreign minister, Eduard A. Shevardnadze, vowed Wednesday to push toward speedy agreement on cuts in conventional arms in Europe and lifted German hopes that Soviet approval of German unification could be achieved this year.

Speaking after talks with the West German foreign minister, Hans-Dietrich Genscher, Mr. Shevardnadze said the Soviet Union advocated "an acceleration of the Vienna negotiations" on troop and nonnuclear weapon reductions.

Mr. Genscher came to Geneva to push the Soviets toward a more aggressive approach to both the Vienna talks and the negotiations on German unification among East and West Germany, the United States, the Soviet Union, France and Britain.

West German officials said after the meeting that the Soviets were for the first time ready to negotiate details of the military and political shape of the new Germany.

"We agreed that 1990 offers a great chance for a basic change in Europe," Mr. Genscher said. "The offers history makes should not go unused."

The West Germans said the U.S. impression that the Soviets intended to keep stalling on arms cuts and unification talks was a result of Secretary of State James A. Baker 3d's visit to Moscow last weekend — might be a misunderstanding.

American officials came away from Moscow convinced that the

Soviets did not intend to endorse unification unless the size of the German military was strictly limited at the unification talks. Western allies want all decisions on troop levels to be made at the Vienna talks on conventional forces.

Asked whether he could confirm the reported Soviet position on the German military, Mr. Shevardnadze said: "Nyet."

"That's the first time today I've heard him say 'nyet,'" Mr. Genscher interjected, laughing.

Mr. Shevardnadze said that to achieve a conventional arms agreement by the end of this year, "we don't have to make concessions."

"We do have to reach compromises," he said. "We don't have much time. The first priority is to sign a treaty."

The meeting between the West German and Soviet ministers was arranged less than a week remaining before the Bush-Gorbachev summit meeting in Washington and is part of a series of diplomatic sessions in various European capitals this week, all devoted to the tricky question of NATO membership for a united Germany.

The Genscher-Shevardnadze session, their fourth this year, came as U.S. and NATO officials said they were less confident that the Soviets would eventually accept German NATO membership despite their continuing public opposition.

The West Germans, however, were newly bullish on Wednesday, believing that Moscow is merely looking for a way to make the

Western tilt of the united Germany palatable to the Soviet military.

Foreign Ministry officials in Bonn said Mr. Genscher was "certain" that a combination of economic aid from West Germany and major strategic changes in NATO policy would give the Soviets the face-saving measures they sought.

"The Soviet interest in these negotiations has intensified," a senior West German official said. "We can expect quick results on certain issues."

Sources said the Germans and the Soviets were basically in agreement on guaranteeing the existing East German-Polish border.

Mr. Shevardnadze said he and Mr. Genscher discussed the NATO question at length, but added, "That is a very tricky issue and we didn't expect to resolve it today."

He said the two countries "have to see convergence" on the military alliance question.

Mr. Genscher arrived Wednesday bearing a widening package of concessions that West Germany is willing to offer in exchange for Soviet approval of German unification and German NATO membership.

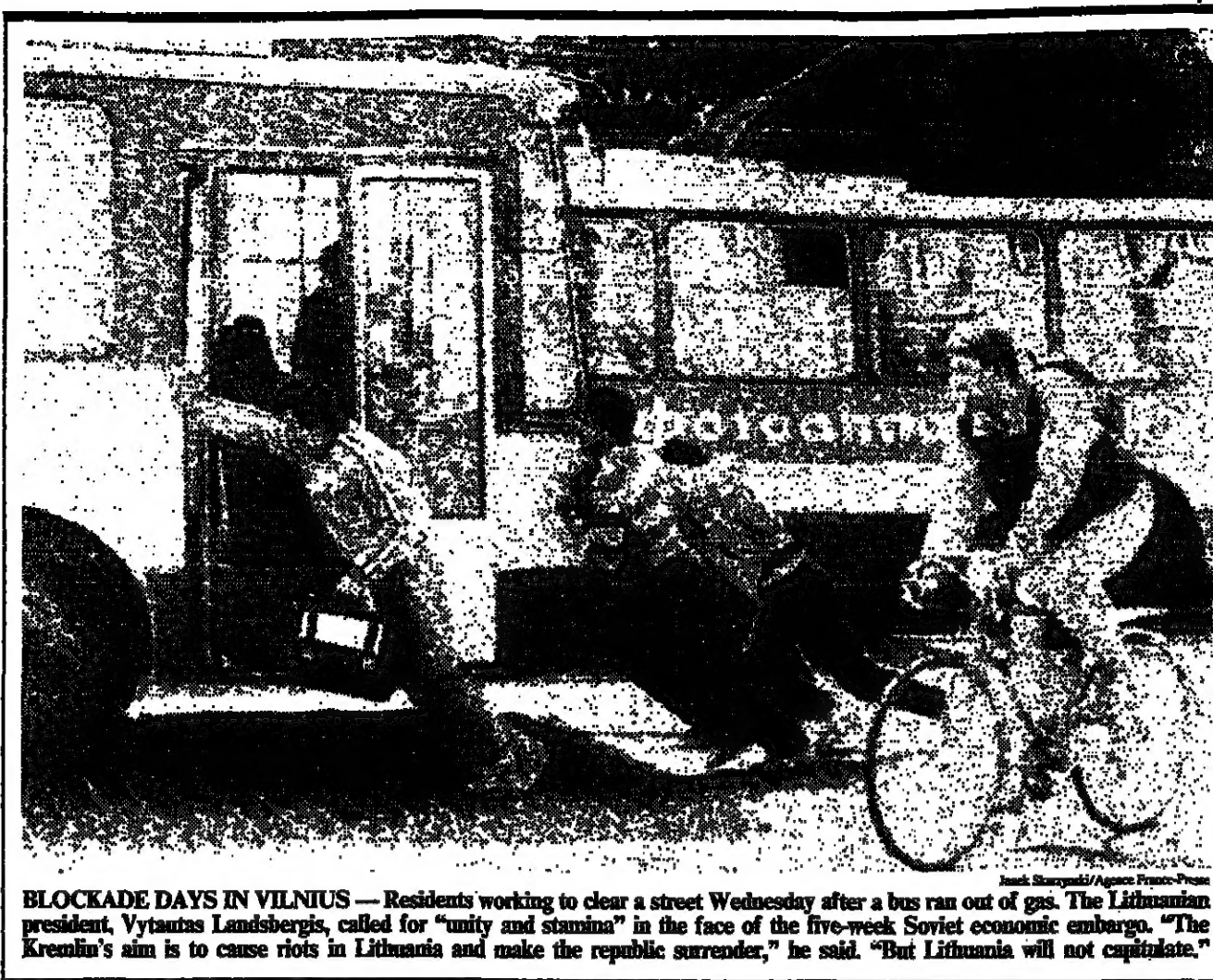
Mr. Genscher told Mr. Shevardnadze that West Germany, the United States and the other Western allies planned to offer the Soviet Union aid to help President Mikhail S. Gorbachev's efforts for change.

The West German aid offer includes bank credits, money for the continued stationing of the Soviet Union's 380,000 troops near East Germany, assumption of East Germany's supply contracts with Moscow and uranium to power Soviet nuclear energy plants.

Since Mr. Genscher and Mr. Shevardnadze last met at the unification talks in Bonn on May 5, both East and West Germany have joined the Western allies in rejecting the Soviet proposal that resolution of the international issues of German unity be postponed.

This time, Mr. Genscher told the Soviets that the Western allies would insist that decisions about German troop strength be made in Vienna, where they would be part of broader, pan-European cuts and not at the unification talks, where Germany would be singled out from its neighbors.

But Mr. Genscher also told the Soviets that their concerns about protection against a united Germany could be discussed at the unification talks. And the West Germans have told the Soviets that they were prepared to cut their military strength by as much as half in the next five years.



BLOCKADE DAYS IN VILNIUS — Residents working to clear a street Wednesday after a bus ran out of gas. The Lithuanian president, Vytautas Landsbergis, called for "unity and stamina" in the face of the five-week Soviet economic embargo. "The Kremlin's aim is to cause riots in Lithuania and make the republic surrender," he said. "But Lithuania will not capitulate."

Europeans Play Down Nuclear Defects

International Herald Tribune

The disclosures about possibly dangerous defects in U.S. nuclear shells were greeted unemotionally Wednesday by officials in West Germany and the Netherlands, who clearly were hoping that local news organizations would not play up the story.

Officials in both countries referred to reassurances from Dick Cheney, the U.S. secretary of defense, who said that the risk of accident had been eliminated.

Officials in Bonn and The Hague did not rule out the possibility of an outcry from anti-nuclear groups. But they said the current climate of disarmament had eased public anxiety about the safety of nuclear weapons. They added that the situation had also eased concerns about the danger that U.S. chemical weapons stockpiled in European countries could leak into the soil.

"Times have changed," a Bonn official said. "In Germany these days our obsession is reunification, not nuclear accidents."

Some European officials said they were uncertain whether the risk involved explosion of the nuclear warhead or detonation of explosive trigger-charges that would

have spewed radioactive material around the site.

Mr. Cheney, asked why the public had not been informed if the risk existed of a nuclear explosion comparable to the one that devastated Hiroshima, said: "My own personal view is that that danger that you cited simply wasn't there."

An official of the North Atlantic Treaty Organization said: "If there was a nuclear risk, however slight, the story runs counter to everything we've always heard about the foolproof U.S. security, which after all has never suffered such an accident."

Another said that the risks had never been acute enough to activate Nuclear Emergency and Search Teams. These teams consist of U.S. specialists stationed throughout Europe who are trained to handle nuclear crises — for example, accidents and terrorism.

The NATO official said that "if the risk was one of spreading plutonium, everybody in Europe is much more worried about what happened at Chernobyl and what might happen in East Germany than what did not happen with U.S. nuclear charges."

A U.S. source said that there had

never been a nuclear accident of any sort in West Germany.

In more than 30 accidents involving U.S. nuclear weapons at home and overseas — and it has been reported that an unspecified number of additional accidents remain classified — none has ever involved detonation of a nuclear bomb.

When a U.S. bomber carrying four hydrogen bombs crashed after a collision in 1966 off Palomares, Spain, the U.S. government removed 1,400 tons of material that had been contaminated with radioactivity.

Mr. Baker also hinted that the United States might not grant the Soviet Union most-favored-nation trade status at the summit meeting.

He said a Soviet decision to postpone discussion of an emigration law meant that U.S. conditions for granting the preferred status would not be met by the time Mr. Gorbachev arrived in Washington.

"If our precondition has not been met," Mr. Baker said, "why would you make the change?"

But he left no doubt that the United States did not want the recent warming in U.S.-Soviet relations to be adversely affected by the Baltic republics' attempts to secede from the Soviet Union.

"Soviet policies as we have seen in Lithuania may disturb us deeply, offending our fundamental values," he said. "Yet as the president has made clear, there is too much at stake in the United States and Soviet relationship to dismiss cavalierly or imprudently the potential for progress. We must continue to search for points of mutual advantage in this relationship."

Computer Pointed to Flaw in Shell

By R. Jeffrey Smith

Washington Post Service

WASHINGTON — The 1988 discovery that a U.S. nuclear artillery shell could be exploded accidentally stemmed from dramatic improvements in computer programs that simulate the workings of the bomb in "three dimensions," a feat made possible by powerful new computers.

The Defense Department safety standard, adopted more than 15 years ago, requires that "there shall be positive measures to prevent nuclear weapons involved in accidents or incidents, or jettisoned weapons, from producing a nuclear yield."

U.S. officials say that none of the dozens of nuclear weapons involved in fires or accidental explosions has breached this standard. They add, however, that the de-

sign of nuclear artillery shells makes them particularly susceptible to accidental detonation.

Designers chose not to use a special volatile material in the warhead considered "insensitive" — relatively nonexplosive — to such mishaps as being hit by a stray bullet.

Driven by the military demand for an extremely small lightweight weapon, they instead used a lighter explosive material that detonates more readily.

The shell's designers also packed extra plutonium into the core of the weapon, giving it more energy and bringing it closer to a "critical mass" of material needed for nuclear fission to begin.

One scientist said that the W79, and a slightly smaller version, W82, "are right on the edge of safety by virtue of their design alone."

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Baker Calls Democracy Key to Ties With Soviets

Reuters

WASHINGTON — Secretary of State James A. Baker 3d said Wednesday that sustained improvement in U.S.-Soviet relations would depend largely on how far Moscow went toward making "hard choices" that encourage democracy in the Soviet Union.

Mr. Baker, briefing reporters on the agenda for the visit of President Mikhail S. Gorbachev from May 30 to June 3, said President George Bush would stress that the United States supported the independence movements in Lithuania, Latvia and Estonia.

The secretary of state said the political, economic and social situation in the Soviet Union had become more complex since the two leaders met in Malta in December.

"The constraints on action have become more pronounced," Mr. Baker said. "Over the long term, sustained improvement in our relations is going to depend substantially upon a deepening and a widening of democratic values throughout Soviet society."

"Consequently, Moscow's willingness to make hard choices internally and externally will affect the course and the future of this relationship."

Mr. Baker also hinted that the United States might not grant the Soviet Union most-favored-nation trade status at the summit meeting.

He said a Soviet decision to postpone discussion of an emigration law meant that U.S. conditions for granting the preferred status would not be met by the time Mr. Gorbachev arrived in Washington.

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But he left no doubt that the United States did not want the recent warming in U.S.-Soviet relations to be adversely affected by the Baltic republics' attempts to secede from the Soviet Union.

"Soviet policies as we have seen in Lithuania may disturb us deeply, offending our fundamental values," he said. "Yet as the president has made clear, there is too much at stake in the United States and Soviet relationship to dismiss cavalierly or imprudently the potential for progress. We must continue to search for points of mutual advantage in this relationship."

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Foreign Minister Eduard A. Shevardnadze, left, welcoming his West German counterpart, Hans-Dietrich Genscher, to the Soviet Mission in Geneva for talks Wednesday on German unification.

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ARMS: White House Backs Baker

(Continued from Page 1)

nal of SS-18s — each of which carry 10 warheads — from 308 missiles to 154.

The Kremlin, however, has been insisting that no restrictions be placed on its ability to modernize the 154 that would be left.

Critics of the administration point out that since the negotiations began in 1982, the Soviets have already modernized their SS-18 arsenal — they are now deploying the SS-18 Model 5 — in a way that has made the missiles so accurate that they can get by with half the number without any serious diminution of their overall firepower.

Therefore, they argue, the treaty must make certain that their existing SS-18s cannot be upgraded. For years, American negotiators did insist that the Soviets freeze modernization as part of the proposed Strategic Arms Reduction Treaty.

For the first time, the U.S. official confirmed that Mr. Baker, while in Moscow, offered a minor compromise on SS-18s that would allow for some modernization. But, he argued, it will be so limited as to not allow the Soviets to ever seriously upgrade the missile from its present abilities.

Considering the concessions to Washington that Moscow has already made on SS-18s — accepting a 50 percent cut with no similar cut by the United States — what Mr.

Baker offered was a minor incentive for the Kremlin designed to help lock in the treaty right now, the official said.

On SS-18s, the previous U.S. position, the official said, "is to ban all production, all modernization, all flight testing of heavy ICBMs."

What Mr. Baker indicated in Moscow was some flexibility in that position that would allow the Soviets to build a limited number of their modernized SS-18s.

If the Soviets can be induced to agree to this — and thus far they have not — the official said, "that would mean that instead of being able to go on and produce something beyond the Mod 5, it would be Mod 5 and no more, stop."

The official continued: "If you can get the Soviets to agree on a limit on flight tests so you can only do one or two or three or some number like that, what that says to the Soviets is, 'O.K., you can do enough flight testing to preserve the reliability of your current SS-18s, but you can't do enough flights that you can go off and develop yet another one. So it's a cap.'"

"Remember where we already are," the official said. "The Soviets have 308 heavy ICBMs. They have agreed to unilaterally cut that number in half, to 154. O.K.? We've got that nailed. That's in the can. What's at issue now is what else we can get on SS-18s."

DEFECTS: Cheney Reassures

(Continued from Page 1)

we've now moved as a result of the development of last year from a situation in which we were talking about a matter of days to a situation in which we are talking about a matter of at least a few months."

Reflecting the lingering disagreement on this issue within U.S. intelligence circles, Mr. Cheney modified his statement, at the urging of an aide, to "weeks or months" of warning time.

The first reductions in readiness and training of NATO forces will take effect July 1, Mr. Cheney said. It is to include, according to NATO officials, air defense units, various aircraft and helicopter units and some ground forces.

U.S. officials said they could not quantify the change in the alliance's traditionally high state of readiness. But Mr. Cheney described it as an "adjustment from hours to days."

West Presses Vienna Pact — NATO defense ministers called on Moscow to cooperate to achieve quickly an accord on cutting troops, tanks and nonnuclear forces in Europe. The Associated Press reported from Brussels.

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EGYPT THE RISE OF THE PRIVATE SECTOR



New Industrial Activity Reviving the Economy

Economic woes have led Egypt to a crossroads. If the country is to escape decades of debt and dependency, its political and business leaders agree, Egyptian trade and industry must move to expand the private sector and boost exports. The government is encouraging entrepreneurial initiatives.

The goal is to shake off the remaining fetters of the late Gamel Abdul Nasser government's nationalization program of the 1960s. Since 1975 the private sector has grown from one-quarter to nearly one-third of the Egyptian economy, but the government is shooting for much more rapid private growth in the 1990s.

Besides its announced intentions for a wide-ranging plan to privatize many state-run monopolies and individual businesses, the Egyptian

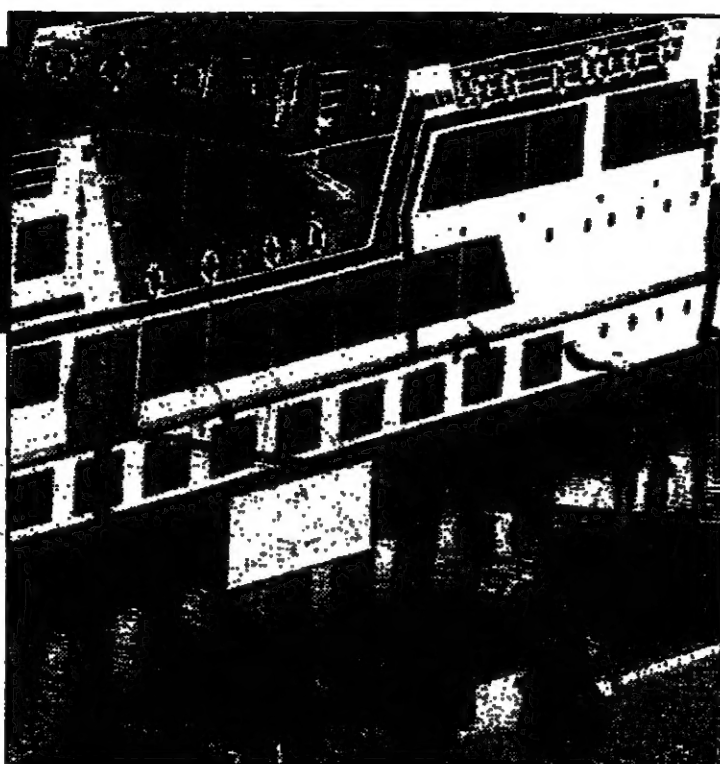
Egypt offers investment incentives and skilled labor

government is promoting the establishment of new private businesses and encouraging existing private companies to grow. Egypt hopes

that its move toward free markets can ease the country's 20 percent annual inflation rate, 20 percent unemployment, low standard of living (average per capita annual earnings are estimated at less than \$600) and massive foreign debt of \$50 billion — rapidly approaching \$1,000 for every citizen of the country of 55 million.

In a series of speeches and interviews recently, President Hosni Mubarak has reiterated his devotion to the growth of the private sector. Mr. Mubarak, who has tried to set an example by personally investing in poultry farms that have been privatized, has emphasized his intention to gradually reduce the wide-ranging state subsidies that keep the country's economy artificially inflated.

"Production and the increase of



President H. Mubarak.

its volume at the national level constitute the priority issues for Egypt," Mr. Mubarak says.

The Mubarak government believes that more than 3,000 Egyptian businesses, from hotels to chicken farms, that are now fully or

partly state-owned should be privatized within the next few years.

Mr. Mubarak announced on May 10 that Egypt had reached an agreement with the International Monetary Fund, which had expressed willingness to pave the way for Egypt to reschedule its loans, but only if the government begins reducing many of the subsidies that prop up state-run businesses and keep prices down artificially.

Noting that inflation and unemployment may be the result of IMF-inspired reforms, Mr. Mubarak has said that Egypt has no choice in the face of last year's \$10 billion in imports, compared with only \$6 billion in export revenue. "There is no way out and we will have to endure," he says.

The United States, meanwhile, is supporting the Mubarak govern-

ment's efforts. Frank Wisner, the U.S. ambassador in Cairo for the last three years, says that the planned changes are "the most promising for Egypt's economy I have known since my arrival in your country."

"The idea of converting a significant portion of this economy from public to private ownership and managing the economy on the basis of free market principles has finally been accepted," Mr. Wisner says, "because Egyptians today broadly recognize that a private sector-powered economy is the most certain path to growth, new jobs and new production." Mr. Wisner adds that the Bush administration is eager to help by exploring the market and doing feasibility studies for American companies considering investment in or trade with Egypt, for example.

A lack of confidence among Egypt's business decision-makers is cited as one reason for the economy's slump. The current recession has been so deep for so long that some doubt whether the country can ever increase production

Continued on Page 15

Inside

New Cities	10
Amreya	10
Tenth of Ramadan	11
Sixth of October	12
Business Climate	12
Foreign Investment	14
New Facilities	14
Tourism Minister	14
Banking	15
Water	16
Agriculture	17
Travel Tips	18
Destination	18

Export Growth Linked to Entrepreneurs

Kids on the French Riviera this summer are going to be wearing long, baggy, brightly colored swimsuits emblazoned with the logos Hot Summer, Saint Tropez and Catalina. In fact, the clothes were made in Egypt.

Louis Bishara, chairman of Bishara Textile Garments Manufacturing (BTM), is responsible for the production of these international-style, made-in-Egypt clothes.

BTM's plant is in the new industrial city of Tenth of Ramadan, half an hour outside Cairo. Mr. Bishara

BTM's \$8 million in sales last year were from exports, not only of swimwear but also other clothing — men's shirts and trousers, women's blouses and dresses, jackets for both — to France, Italy and various Middle Eastern countries.

Meanwhile, BTM relies on Egyptian cotton for most of its production lines. Imports — buttons, some types of thread and other non-cotton fabrics — account for only 15 percent of the cost of BTM's raw materials, compared with 80 to 100 percent for many Egyptian manufacturers.

The relatively low import ratios

combined with the significant export sales — meaning that BTM brings more foreign currency into the country than it pays out — is critical for the recovery of the beleaguered Egyptian economy.

Egypt — more than 90 percent desert and with few natural resources other than oil — spent an estimated \$10 billion on imports in 1989. In comparison, the country's hard-currency revenues were only \$6 billion, coming mainly from oil sales and tourism. It is estimated that private manufacturing exports

Continued on Page 17

Investing in Tourism: Major Upgrading

Egypt has come a long way since the 1950s and 1960s, when it was regarded as a country suitable only for the most intrepid traveler anxious to visit the pyramids, the Sphinx and Luxor. War-torn and impoverished, Egypt suffered from an almost complete lack of international-standard amenities.

That is changing. The Egyptian government has embarked on a massive program to develop new facilities and resorts in an effort to increase the country's foreign hard-currency earnings.

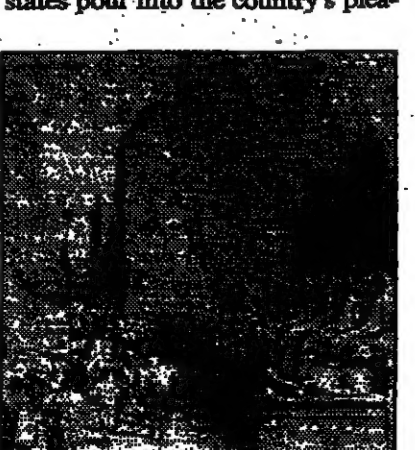
Luxury hotels are being expanded and the older ones restored, large new tourist villages are being built along the Red Sea coast, in the Fayoum oasis and in Sinai, and a host of international donors is helping to rebuild the famed library of antiquity in Alexandria.

\$600 million invested in infrastructure improvements

The development of infrastructural necessities such as the subway and a modern telephone system has made life much easier not only for residents but also for the visitor who seeks comfort and modern conveniences as well as history. Cairo offers a number of luxury hotels, including the Semiramis InterContinental, the Meridien, Marriott and Movenpick Airport Hotel, as well as the enlarged Mena House Oberoi.

Other luxury hotels have been built in Heliopolis, Alexandria,

Luxor and Aswan, although rooms may still be in short supply at the height of the season or during Islamic holidays, when thousands of families from the neighboring Gulf states pour into the country's pleasure spots for a respite from their own desert climes.



The Karnak Temple, Luxor.

Restaurants are well supplied with seafood, fresh vegetables and fruit. Groppi's on Talaat Harb Square in the heart of Cairo is a favorite for ice cream lovers or, for the more adventurous, there are the

ubiquitous stalls selling mango and orange juice, charcoal-broiled pigeon, corn on the cob or the local treat, *feteftet*.

More than 50 airlines, including Pan American, Trans World Airlines, Lufthansa, British Airways, Air France, Sabena, KLM and Alitalia, serve the capital, while some fly directly to Alexandria as well as to the Red Sea resort town of Hurghada. In addition, international passenger liners plying the Mediterranean call at the country's main ports of Alexandria and Port Said. Visitors can choose from independent travel, a wide variety of packages geared to all tastes and pocket-books or a combination of both.

Thanks to the government's growing emphasis on the private sector and its encouragement of foreign investment, funds are pouring in from the U.S., Europe and the Arab Gulf states to develop Egypt's tourism. The country's minister of tourism and civil aviation, Fouad Sultan, said in March that preparations to set up a \$600 million fund to finance the necessary infrastructure are expected to be completed by September.

Continued on Page 14

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New Desert Cities: Decentralizing Industry

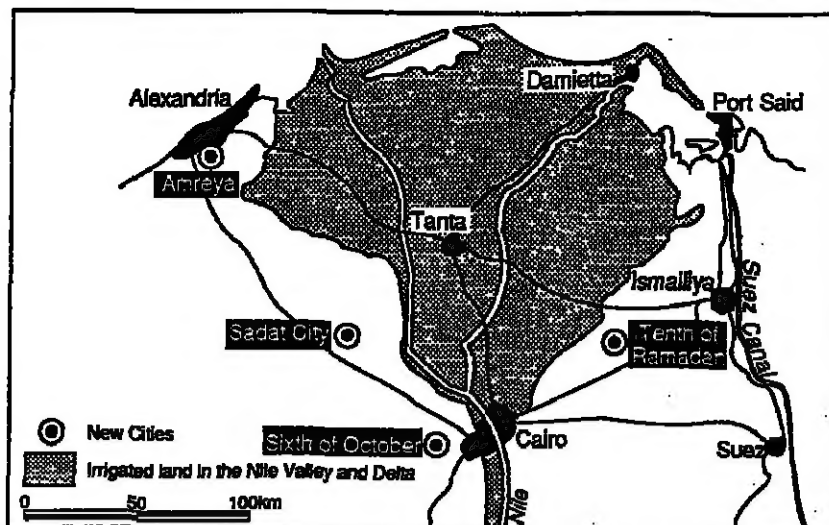
Throughout recorded history, Egypt has been either pursuing or avoiding wars. But now the nation of the Nile is launching what it hopes will be its last war — an economic rather than a military one.

The ultimate prize in this last war is a fully functioning, self-dependent free-market economy. A key battleground is the effort to transform Egypt from a state-dominated to a free-enterprise, privately driven economy. In the front lines of this economic battle are the four new cities that grew out of the late President Anwar Sadat's "open-door" economic policies instituted in the mid-1970s: Tenth of Ramadan, Sixth of October and Sadat City outside Cairo, and Amreya outside

Alexandria, Egypt's second-largest city.

Mr. Mubarak, who became president after Mr. Sadat's assassination in 1981, has followed the open-door economic principles and continued government support for private or partly private companies establishing themselves in the four cities.

The Egyptian entrepreneurs, investors and managers taking advantage of government enticements to move to the new cities — and the workers who are fleeing the crowd-



ed conditions and high unemployment of the big cities — are on the cutting edge of Egypt's efforts to bolster private industry.

The new private companies are not only relying on imported components to build new products —

some for export — but are also replacing imported raw materials with Egyptian-made components whenever and wherever possible.

Gunter Meyer, a West German social scientist who has done a study of the new cities, finds that

they are living up to expectations. "On the whole, it may be stated that the latest industrial development in the new desert cities of Egypt can be regarded as a successful example of a decentralization of industry in the Third World, which is state-aided and backed primarily by indigenous entrepreneurs and investors," Mr. Meyer says in his report.

Mr. Meyer even finds a silver lining in the clouds over the failure of the cities to keep up with the demand for workers' housing: "The strong demand for housing in the new cities is a clear indication that in the next few decades a considerable proportion of the increase in the population of the Egyptian metropolis can be absorbed here."

The two new cities closest to Cairo — each about an hour from central Cairo by car — are Tenth of Ramadan and Sixth of October. Both names, one from the Islamic and the other from the Western calendar, represent the same day in 1973, when Egypt's surprise attack

against Israeli forces broke through Israel's defensive line. Israel recovered and drove out the Egyptians; both sides still claim victory in this conflict.

Each of the new cities may eventually have populations of up to 500,000, but so far the fastest growth has been at Tenth of Ramadan, where 135,000 people work and 35,000 live.

"The new cities have been established in the desert, in the real middle of the desert," says Hazem El Beblawi, chairman of the Export Development Bank of Egypt, which is helping finance private companies involved in exporting.

"In less than 15 years, we've seen a real expansion of industry there, and of a human community, too," Mr. Beblawi says. He adds: "It's one of the very few bright spots we have right now. The model has been a very successful example of what can be done in [Egypt's] private sector."

T.H.

Amreya: A New Center With a New Business Style

It wasn't exactly a mouse in the big Cats' lair on the dusty proving grounds of Mantrac — Caterpillar's Egyptian dealer — on the outskirts of Alexandria.

But the bright orange Japanese-made excavator seemed out of place among the big yellow tractors in the Mantrac lot.

What was a competitor's non-Caterpillar tractor doing at Mantrac? "We're putting a Caterpillar engine in it," says Alastair Petrie, the native Scot who oversees Mantrac's spare-parts and repairs operations. "The owners were having trouble getting a new engine from the Japanese company, so it was

New cities designed to relieve Cairo's overcrowding

brought to us. Because of our reputation for service and parts, we're working on more and more of our competitors' products," Mr. Petrie continues.

Mantrac, started by Youssef Mansour and his three brothers in 1978, is one of a series of successful companies among the Egyptian and foreign firms that have settled in

Amreya, 28 kilometers (17.3 miles) south of Cairo.

Amreya is one of Egypt's new satellite industrial cities. Three other such cities have been built outside Cairo, all born of economic reforms initiated by the late President Anwar Sadat and continued by his successor, Hosni Mubarak.

Mantrac is in the old part of Amreya, not the new part where the Egyptian government has granted cheap land prices, tax breaks and other incentives to corporations. But Mr. Mansour, chairman of Mantrac, insists that the company nevertheless fits the spirit of new-city industry. The goals of these cities include not only promoting new business but also moving people out of the overcrowded major northern cities of Cairo (population at least 15 million) and Alexandria (three million).

"We have to spread the people out," Mr. Mansour says. He says the new cities essentially began as industrial centers, but the govern-



Egypt's late president Anwar Sadat.

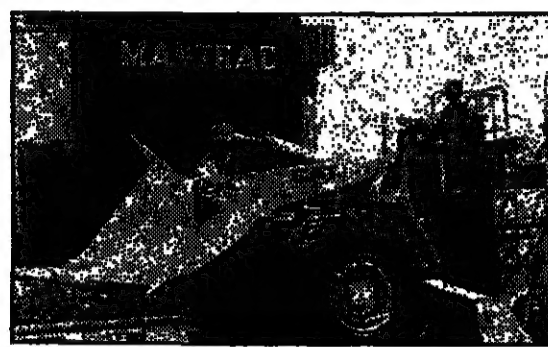
ment quickly added transportation, schools and low-cost housing to make them true population centers for both living and working.

Mantrac is typical of the new breed of Egyptian company that is bringing in products and technology from abroad and using them to help build up Egypt's infrastructure and economy from within.

For example, the heavy Caterpillar earthmovers imported by Mantrac are used to help build roads and clear land for new buildings, and the Caterpillar generating systems are used for the backup power that

is critical to hospitals and growth industries such as chicken farming and tourism. Caterpillar generators are common in Egypt's top hotels, and its powerful engines run many of the luxury cruise boats and floating hotels on the Nile.

Besides Caterpillar, Mantrac is the dealer in Egypt for Michelin tires and Ingersoll-Rand compressors and compactors for roadworks and drilling. This mix, along with Caterpillar's market leadership in Egypt, has meant steady growth for Mantrac over the past 12 years. But increasing competition from foreign



A Caterpillar earthmover.

heavy-equipment companies led the company to devote much of its planning for 1992 to developing new strategies.

"We had two options: to do nothing or to grow," Mr. Mansour says. "We chose the growth option." He adds that Mantrac's future lies with its customers — and its customers want value. "That means if it doesn't add value, we shouldn't be doing it," Mr. Mansour says.

As a result, Mantrac has instituted a series of repair and servicing programs that guarantee that a job will be done in a certain amount of time and at a certain price — with rebates for the customer if the work is not done correctly and on time.

An example is the guaranteed seven-day engine rebuild program; if the engine is not rebuilt in seven days, the price drops for every late day. Such guarantees are a major reason competitors' tractors are

finding their way to Mantrac's 840,000-square-foot plant.

Mr. Mansour believes that Mantrac's emphasis on service means that the company will sell more of its own products, and will eventually take over the servicing — whose profit margins are higher than those of new sales — on many competitors' models. Mantrac expects its revenues to increase by 225 percent over the next five years.

To handle the additional business that goes with Western-style servicing, Mantrac is gradually introducing Western-style staffing and hours, including an emergency 24-hour repair service.

Mr. Mansour, who has a business degree from North Carolina State University and a master's degree from Auburn, is also in the forefront of bringing management training programs into Egypt.

Now Mantrac not only has six-month training sessions for its own service engineers — all of them already university engineering graduates — but also runs mid-level management and lower-level supervisory training courses for other companies.

This training, Mr. Mansour believes, is one of the keys to improving his and other individual companies and to building Egypt's industrial base. "The main asset of Egypt is its labor force," he says. "The only thing we need is training."

T.H.

EGYPTIAN INTERNATIONAL PHARMACEUTICAL INDUSTRIES CO.



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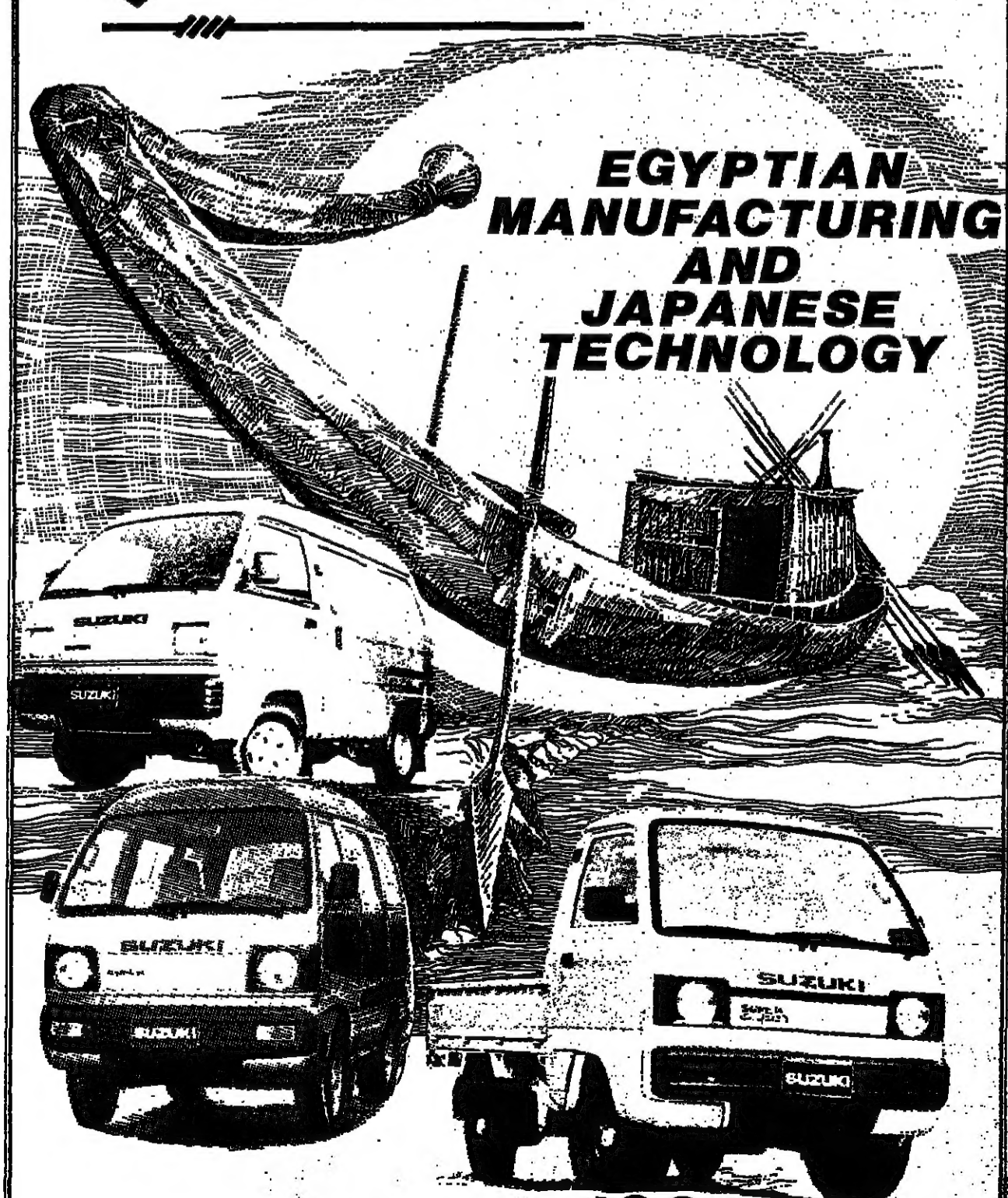
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Tenth of Ramadan: Largest of the New Cities

Not long ago, every Egyptian lucky enough to travel abroad would come home with one "must" souvenir: a new blanket. "I remember them all getting off the planes from Saudi Arabia, carrying their blankets," says Fathy Lotfallah of International Blankets and Textiles (IBT).

Thanks largely to Mr. Lotfallah and IBT, Egyptians are now buying their blankets at home. IBT's new plant, created in 1987 in a joint venture with a Spanish textile company, produces around 300,000 high-quality blankets per year.

IBT is located in Tenth of Ramadan City outside Cairo, where 135,000 people work and 35,000 live. Tenth of Ramadan is the largest of the new industrial cities Egypt has carved out of the desert in order to decentralize industry and draw

City now home to 383 companies and 20,000 people

residents outside the country's overcrowded metropolitan areas. Among successful companies already established in Tenth of Ramadan along with IBT are the Belediy Group and Bishare Textile Garments Manufacturing.

Mr. Lotfallah concedes that Tenth of Ramadan has a long way to go before becoming a real community. Few of the blanket factory's 200 workers live in the new city, preferring to be based in daily from their longtime homes in farming villages as much as an hour away.

But Mr. Lotfallah is confident that workers at his and other factories eventually will decide to settle and raise their families in Tenth of Ramadan, not only to be near their jobs but also to take advantage of cheap housing, wide streets and reliable water, power and other utilities — aspects of everyday life that cannot be taken for granted in overcrowded Cairo.

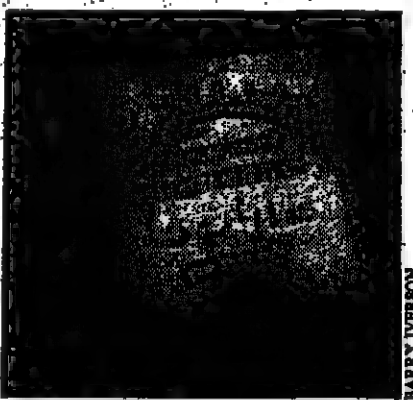
Tenth of Ramadan is the largest of the four new satellite cities that began rising out of the desert in the early 1980s as President Hosni Mubarak continued the private industrial expansion program that was a legacy of his assassinated predecessor,

anwar Sadat. At the end of last year there were 383 companies — all of them privately run and either fully or partly owned — doing business in the city, employing 25,103 people.

Around 20,000 people — nearly all of them workers and their families — live in the new city. Government officials and local business executives say those figures have increased substantially in the first months of this year, and they expect the city to reach its population projections of 500,000 early in the 21st century.

While success as a true community with its own residential identity may still be in the future for Tenth of Ramadan, Mr. Lotfallah already rates it as an industrial success that is furthering the government's aims of promoting private business.

"Look at our plant," he says. It's important because Egypt was importing blankets. The quality of the blankets made in Egypt just was not any good. It was illegal to bring in blankets from other countries, but people smuggled them in anyway. But we make top quality at about half the price of the blankets from



Saudi Arabia, and now there's no more blanket smuggling."

And the money that Egypt was



Fathy Lotfallah, IBT (left), and Ahmed Borhan, EIPICO (right), two of Egypt's private-sector leaders; Tenth of Ramadan City (below).



losing on blankets bought abroad is now staying in the country — a critical step in the government's drive to bolster the private sector to reduce Egypt's staggering trade deficit.

"This is the backbone of new industry," says Ahmed Borhan, chairman of the Egyptian International Pharmaceutical Industrial Co. (EIPICO), of the new cities program. His pharmaceutical plant — with 1,000 workers, state-of-the-art technology and sterile conditions to match those of any Western drug company — is the showpiece of the Tenth of Ramadan. More importantly for the investors in the privately held EIPICO, it has been paying dividends at the remarkable rate of 30 percent a year.

About 20 percent of EIPICO's annual sales of nearly \$40 million are in foreign markets, but Mr. Borhan is confident of that figure rising to 50 percent in the near future. Be-

sides doing its part to ease the trade deficit through more exports, Mr. Borhan is working to decrease EIPICO's reliance on imported raw materials from the current 70 percent to 50 percent within the next few years.

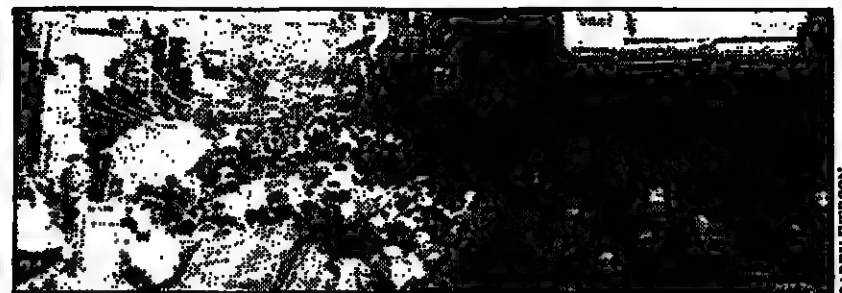
Mr. Borhan concedes that while his plant is "up to the standards of any in the world," his products still suffer from being made in Egypt. "We have mastered this technology, but we are still the Third World," he says. "Doctors who write prescriptions are still happier with drugs that have an American or a European name on them."

Mr. Borhan is tackling that obstacle by building up his company's name through its associations with established Western drug manufacturers. Nearly half of EIPICO's 106 products — pills, salves, ampules, powders, etc. — are being produced under royalty agreements with 18 of the largest multinational drug com-

Business Briefs

• Cairo's 15 million residents are promised relief from congestion and traffic jams by an 88-kilometer ring road being constructed around the city. A total of \$240 million is being allocated for the road surrounding the Middle East and Africa's biggest city. Another \$70 million is to be spent on two new bridges on the Nile. Construction work on both projects is to be completed by the end of 1992.

• A new stage in the continuous deepening and widening of the Suez Canal is expected to start soon, enabling the largest tankers to pass through this international waterway. The Japanese government has offered to lend \$800 million on concessionary terms for the project. • Suez's 320-kilometer pipeline from the Gulf of Suez to the Mediterranean is being expanded to allow it to handle up to 120 million



• The Arab African Promoters for International Conferences (AAPIC) is organizing and sponsoring a series of exhibitions and conferences, including the 24th world congress of the Universal Federation of Travel Agents Associations (UFTAA), which will be held for the first time in Cairo September 30-October 6, 1990. AAPIC is also pursuing its efforts to promote local industry through its "Le Marché" series of exhibitions, including Bijou — featuring jewelry and women's accessories — to be held in Cairo August 2-5. AAPIC is also organizing a conference on the future of Arab Television, to be held in Cairo February 1-4, 1991.

metric tons of crude oil per year. Opened in 1977, the pipeline now handles 80 million metric tons per year.

• Hossam Aboul Fotouh has taken over the running of Aboul Fotouh Establishment following the death of his father Hassan Aboul Fotouh, the company's founder and one of Egypt's leading entrepreneurs, on May 5.

• Zafarani Knitwear Mills, with eight factories in Egypt, is now exporting to 14 countries, including several markets in Eastern Europe and the Middle East.

Ofat Tohamy

cheeses are expensive by Egyptian standards, but Mr. Rizk says the growing demand for higher-priced, better-quality food and other products is "part of the change" going on in Egypt. "We're talking about major changes in attitude, from the top down," Mr. Rizk says, adding: "But nothing will change without the private sector. Where in the world has it been any different?"

What happens in the next few years is critical, Mr. Rizk believes. "We are just about to pass the bottleneck in this country. At least we have diagnosed the problem; now we have to work harder toward privatization."

T.H.



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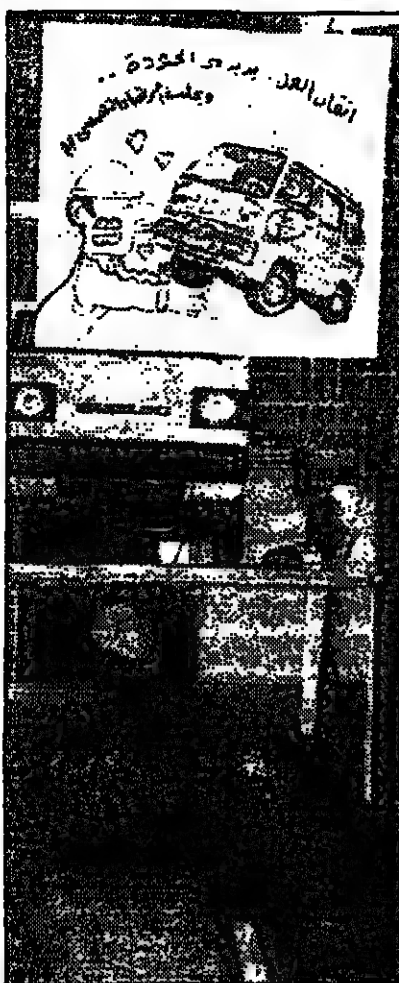
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Suzuki Egypt's assembly line, Sixth of October City.

Sixth of October: Building A Productive Environment

Only three of the 105 employees at the Suzuki plant in Sixth of October, one of Egypt's new industrial cities growing in the desert outside Cairo, actually live in the new town — but that will change.

The average age of the workers is only 23, says Tarek Madkour, the manager of the Suzuki Egypt technical department. "Most of them aren't married yet," he says. According to Egyptian custom, that means they still live at home with their parents, mostly in the suburbs of Cairo or some of the small, old agricultural villages in the desert. As the workers marry, Mr. Madkour says, nearly all of them will move to Sixth of October because

Population should rise to 250,000 in the next decade

Suzuki Egypt has purchased 90 of the thousands of new apartments the Egyptian government is building in Sixth of October. Any worker at the Suzuki plant who wants an apartment — the larger the family, the larger the apartment — can have one, almost free. "They have to pay for their own water and electric-

ity," Mr. Madkour says. Suzuki's free-rent program is one of the more generous examples, but many of the 150 companies that have started production at plants in Sixth of October over the past decade have instituted similar programs for cheap housing to encourage their workers to live in the new city.

Even for workers whose companies provide no additional help, the City Council in Sixth of October is offering housing bargains as a means of building up the new cities. Prices are a bit higher for those who do not work in the city than for those who do, but Adel Riad, general manager for city development in Sixth of October, notes growing demand even among people who work elsewhere.

Mr. Riad says people are especially eager to escape from Cairo, an hour away, and its crowded conditions, high housing costs, noise and pollution. Though the current Sixth of October work force is only about

12,000, he says, it is expected to increase as the 150 plants now operating are joined by the 300 more that are expected to be established there in the future. As the number of jobs increases — and as more workers get married and look for places to raise their families — Sixth of October's population is expected to jump from the current 10,000 to at least 250,000 by the year 2000, and ultimately to 650,000.

As in other new cities, the local council is following strict zoning laws — a relatively new concept in the haphazard building of Egypt — and pursuing the right "mix" of companies. A wide variety of products is being manufactured, including seeds, herbs, clothing, furniture, clocks, crystal, bathroom fixtures and the small trucks, vans and minibuses made by Suzuki Egypt.

Mr. Riad says the local governments in new cities such as Sixth of October are cooperating with guidelines devised by Hasaballah Kafrawi, the government minister in charge of the new cities, that streamline bureaucratic procedures.

Instead of telling would-be entrepreneurs, investors and executives what they cannot do, the Sixth of October City Council tries to tell them how they can do it. "There's a new rhythm in this city," Mr. Riad says. "We're breaking the old Egyptian routines." The mobility of government officials and bureaucrats to respond quickly to the business

community's needs has long been cited as one of Egypt's most daunting problems, but Mr. Riad says: "Speedy action is the call of the day in the new cities. At this City Council, we try to act as a bridge between industry, investors, contractors and the government."

The chance to start afresh in Egypt is one of the factors that led to the Suzuki Egypt joint venture, which is 52.5 percent owned by private Egyptian investors, 27.5 percent by Saudi interests and 20 percent by Suzuki in Japan.

The Egyptian interests are headed by A.M. Seoudi, whose company started importing Suzuki products in 1974 and was already planning to move into local production when



Apartments offered to workers.

the Mubarak government announced in early 1985 that it was imposing strict limits on automotive imports. "It's very clear that we've suffered from the public sector over the last 20 years," Mr. Seoudi says. "And it's not just Egypt. It's the same in Russia, in Eastern Europe, everywhere that the public sector is too large."

Mr. Seoudi believes the new resolve of the government to promote private industry is the key to Egypt's economic salvation. "I can see the market being much better in the 1990s. People are more optimistic. I can see us becoming more prosperous as a nation."

Even without financial incentives for private industry, Mr. Seoudi adds, would-be entrepreneurs and investors welcome President Mubarak's recent statements supporting privatization of existing state-run companies and the formation of new private companies. "It gives us some encouragement, especially for those who want to export," he says. "You can't plan ahead, you can't invest, without stability in the economy. This economic stability is what President Mubarak is now promising."

Suzuki's Mr. Madkour says that Egypt's relative lack of a manufacturing tradition, particularly in car-making, was an added attraction for the company. Suzuki insisted that none of its new employees, down to the people who sweep the floors, have any prior experience in vehicle manufacturing so they would be more receptive to learning Suzuki methods. The plant opened in early 1989, and is already exceeding its expected production capacity of 2,000 vehicles a year. Expansion plans are being studied to boost exports to other Middle Eastern countries.

T.H.

Business Climate Supporting Expansion

The Egyptian government's campaign to de-emphasize the public sector is focusing on privatization of state-run companies and creation of new private corporations. But the effort does not stop there.

Some of the country's oldest and most successful private companies are reaping benefits from official encouragement of the private sector. Prime

Egypt now moving into Soviet market

examples are the Zahran Co. kitchenware plant in Alexandria; the Ghabbour Brothers, Egypt's leading manufacturer of luxury buses; and the Beledy Group, which has



Beledy Group's United Trading and Agency Corp.

long been Egypt's leading international trading and manufacturing conglomerate for health and beauty products, cigarettes,

chewing gum and other popular consumer goods. The Zahran Co. is setting new trends in the way it operates as a private

business — not only selling products from abroad in Egypt, but by pulling together the best components from foreign sources to manufacture its own products locally. In turn, the Zahran Co. exports some of those products — part Egyptian, part foreign, but all made in Egypt — to other countries.

Alaa Zahran, the company's general manager who oversees the plant with his father and three brothers, says that ex-



Alaa Zahran, Zahran Co. manager.

ports now make up 25 percent of the company's business but seem sure to rise by one-third this year. "Our quality is the same or better than the top quality of what is made in Europe, but the price is cheaper because our labor costs are lower and our overhead is lower," Mr. Zahran says.

The company imports and sells products such as Braun kitchenware from West Germany, Bissell carpet sweepers from France and Thermos coolers from Britain. It also imports elements of non-stick Tefal and Calor brand products from Seb SA in France and then stamps, shapes and fin-

ishes the items. Zahran rents molds for a number of Braun products from the West German company for several weeks a year and uses its own Austrian-made plastic-injection machinery to manufacture Braun blenders, juicers, grinders, slicers and kettles.

The Zahran Co. began in the 1950s, when the family launched the Egyptian Aluminum Co., which quickly became the market leader in manufacturing cookware in Egypt. After the Egyptian Aluminum Co. was nationalized as part of the Nasser government's efforts to control all Egyptian manufacturing, the family started over as the Zahran Co. in 1967.

Some Zahran employees joke that foreign visitors to Egypt should be issued a special visa to tour the plant. The Zahran family appreciates the joke; they pride themselves on being Egyptian while still operating outside traditional Egyptian industrial culture.

Ghabbour Brothers, which produces luxury buses in Egypt under an agreement with Scania, the Swedish company, is also flourishing in Egypt's pro-private atmosphere. Ghabbour, another family venture, founded in



Samir Assaf, Ghabbour brothers.

1948, now sells 60 percent of its buses to the Egyptian public sector.

Ghabbour Brothers has been steadily increasing its exports to other Middle Eastern countries and is in the process of nearly doubling the size of its bus manufacturing plant to 7,000 square meters in the Cairo suburbs. Ghabbour Brothers' 1,200 employees, more than half of them at the Cairo plant that focuses on bus manufacturing and service, earn above-average wages and can collect performance incentives that typically increase their pay by up to 200 percent. "Once we engage somebody," says Managing Director Samir Assaf, "we keep the person here."

The government's "new cities" program led the Beledy Group to

break ground in the Tenth of Ramadan city, outside Cairo, for what will be the largest cosmetics factory in the Middle East. With 820 employees, the plant will produce 100 million units a year of various brand-name deodorants, shampoos and other cosmetics and toiletries.

"We're seeing more positive clues coming from the government for privatization. I think we're on the right track for activating the business community of Egypt to take its proper role," says Mohamed Khalil, the Beledy Group's marketing director.

Mr. Khalil fills in as a corporate spokesman for Mr. Beledy on the group chairman's frequent trips to the United States, Europe and the Soviet Union, where he and President Hosni Mubarak headed a large contingent of Egyptian business executives last week (May 15-17), at the Egyptian trade show in Moscow. The Beledy Group accounts for an incredible 60 percent of all Egyptian trade with the Soviet Union.

Mr. Khalil believes that in addition to specific incentives such as the "new cities" movement, the Egyptian government's general encouragement for private industry will lead to relaxed banking regulations and other changes that will make it easier for exporters such as the Beledy Group to bring more hard currency home to Egypt.

Mr. Khalil says that the opening of Eastern Europe is going to lead to a tremendous increase in demand for consumer products in those countries, and predicts that Egyptian manufacturers will have great growth opportunities.

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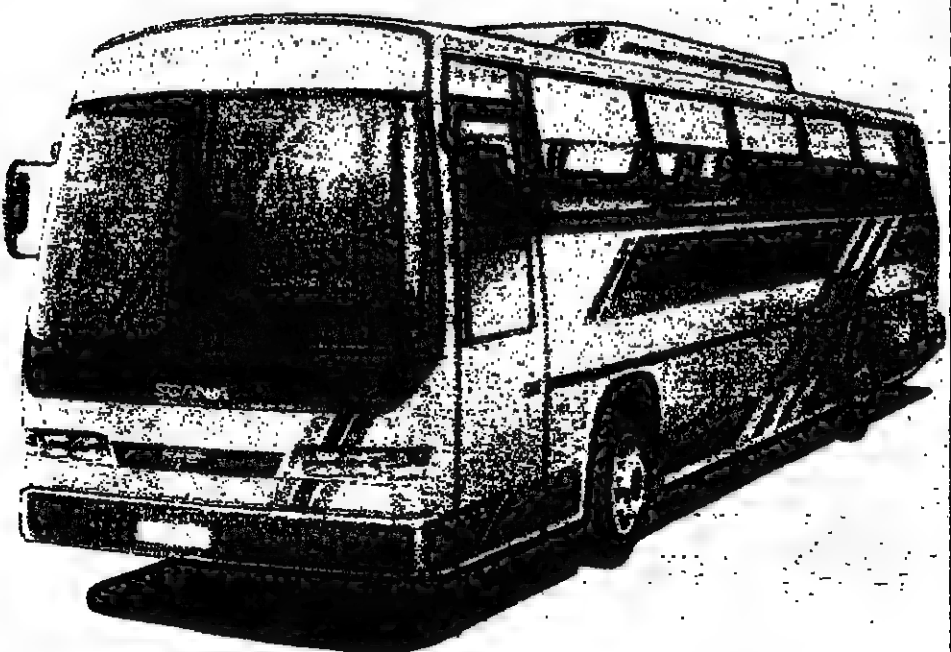
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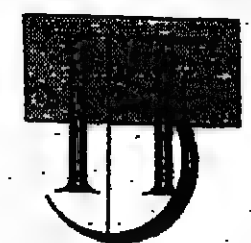
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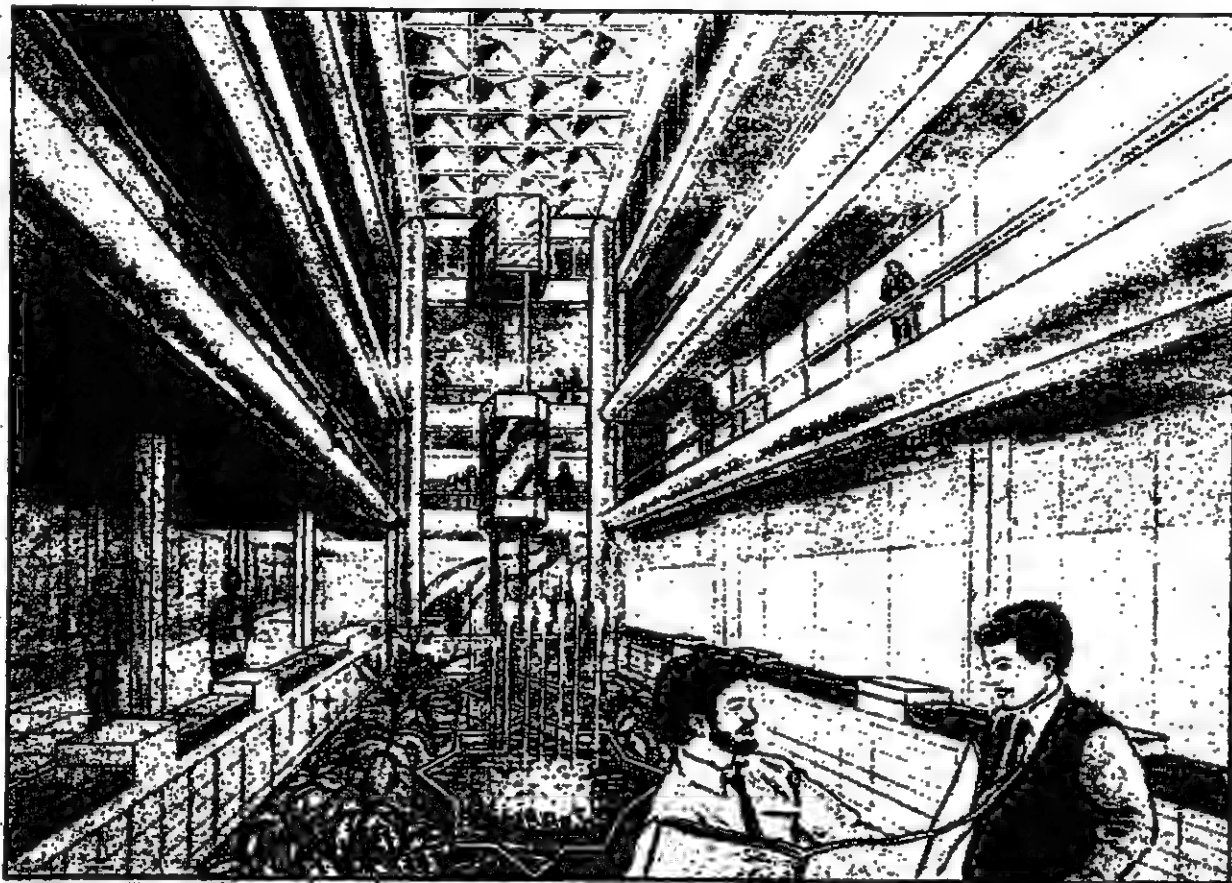
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ADVERTISING SECTION

New Foreign Investment Law Favors Private Sector

Under Egypt's new investment law, which came into effect in November, foreign firms are being encouraged to set up new joint ventures in private-sector industries — and foreign investors are taking note.

Measures affecting government approval of projects, capital requirements, the repatriation of profits, price controls, taxes and access to foreign currency have all been liberalized, and already U.S., European and Japanese investors are lining up to take part.

The new law, No. 230/89, issued in July 1989, extends the open-door policy launched by the late Presi-

Nine U.S. companies may open factories in Egypt

dent Anwar Sadat in 1974. Under the revised terms, foreign investors now need deal with only one agency, the General Authority for Investment (GAFI), to obtain approvals for proposed projects. In the past, many potential investors have been deterred by bureaucratic tangles, including the time-consuming pursuit of a host of permits and authorizations.

The new legislation also includes tax holidays of up to 20 years for

specified projects and removes price controls and ceilings on profit margins for all but the most basic commodities. Profits and investment capital will be allowed to be repatriated through the open market, rather than through government-specified exchange rates.

Patent and trademark rights, as well as imported machinery and equipment, are considered acceptable as foreign capital in the case of non-resident investors. The need for an Egyptian partner has also been eliminated in most cases, and extra guarantees have been provided against expropriation or confiscation of assets.

Finally, the new law extends the range of sectors covered by its generous provisions to include a broader cross section of industrial, agricultural, tourist, housing and real estate projects as well as others in land reclamation and desert cultivation, in addition to the previous benefits provided for foreign investment in the country's industrial free zones. Since the law came into ef-



Xerox Egypt's factory in Sixth of October City.

fect, a number of U.S. companies have announced plans to set up operations in Egypt or to expand existing factories. H.J. Heinz Company is joining the Kuwait Food Company (Americana) in setting up a joint venture in 10th of Ramadan City to produce tomato paste, ketchup and hot sauce for export.

Another joint venture, involving U.S. and Egyptian firms, the Egyptian American Industrial Company (Omega), is to manufacture a range of pumps to run with electrical and diesel motors. Nine U.S. companies are also reported to be considering setting up factories in Egypt for food processing and the production of consumer goods, according to the U.S. Investment Promotion Office (USIPO) in Cairo.

Larger projects include a proposal by General Dynamics to assemble helicopters at the Cairo plant of

the Arab Organization for Industrialization (AOI), the big manufacturing complex that specializes in both military and civilian products. General Motors Egypt (GME), whose partners include the U.S. company and Isuzu of Japan, is also seeking permission to produce luxury cars in Egypt, possibly GM's 2.8-liter Chevrolet Corsica.

GME Public Relations Director Sherif Magdy says the expansion should help Egypt reduce the drain on precious hard currency caused by car imports. Production of about 5,000 cars a year is planned to supplement GME's existing output of trucks and buses. Although output of these vehicles is due to rise from 7,000 units in 1989 to 8,000 by the end of this year, the plant is running at only about 40 percent capacity, Mr. Magdy reports.

Investors queuing up from Eu-

rope include International Dynamics Limited (IDL) and Cadbury-Schweppes of Britain. IDL's proposal to set up a joint venture with AOI to refurbish machine tools is reported to be at an advanced stage, while Cadbury is going ahead with plans to begin chocolate production at 10th of Ramadan City. Like H.J. Heinz, it has chosen to operate in partnership with the Kuwait Food Company (Americana), a Kuwait-based concern that has extensive food manufacturing and export activities throughout the Arab world. Initial capacity is set at 10,000 metric tons a year.

Pirelli of Italy, whose partner is the state-owned Tractor Engineering Company (Trenco), recently obtained a favorable loan from the European Investment Bank (EIB) to help fund the establishment of the Alexandria Tire Company, which aims to produce some 350,000 radial tires a year.

Another Italian company, Pantren, is joining local Egyptian investors in a project to produce clothing for the country's rapidly growing younger generation. An \$8 million factory is being built in Cairo and is due to start production before the end of the year. Annual sales are expected to total some \$30 million within three years.

Japan's huge trade and manufacturing conglomerate, C. Itoh and Company, has cited Law 280 as a major reason for its decision to set up a joint venture in Egypt to pro-

duce fine yarns. The project would involve spinning, weaving and dyeing cotton grown in Egypt for export to Japan. The company is also said to be considering plans to cultivate cotton on reclaimed land; under the new law it would receive additional benefits for doing so. Previously, private sector and foreign investors were prevented from engaging in the manufacture of fine cotton yarn.

Additional incentives for foreign investment include the introduction of debt-equity swaps, which would cover private-sector debts. Even though these amount to only about 5 percent of Egypt's total \$50 billion foreign debt, officials are encouraged by the response shown so far.

The first swap covered a project backed by U.S., European and local investors to produce animal vaccines. In April it was announced that another project, with a capital of \$19 million, was being set up by local, Saudi and Lebanese investors to encourage foreign investment in tourism.

The new venture, the Egyptian Tourism Investment Company (ETIC), will act as an investment fund channeling finance to tourist projects on the Red Sea and southeast Sinai coasts. Holders of non-performing Egyptian commercial paper are being invited to participate in the fund by swapping these debts into what the investors say could be profitable investment earning dollar returns.

Pamela Ann Smith

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Investing in Tourism: Major Upgrading of Facilities

Continued from Page 9

The World Bank has offered to provide up to \$200 million of the costs, and U.S. consultants Arthur D. Little & Company, together with a local firm, Aricon, are already preparing the required feasibility studies. Additional finance is expected from the U.S. Agency for International Development (AID) and the Kuwait-based Arab Fund for Economic and Social Development (KFAED).

Saudi Arabia is considering a multimillion-dollar loan to Egypt to help build a new bridge across the Strait of Tiran and to finance the formation of a shipping line, which would operate between the Red Sea coastal town of Safage and the Saudi port of Diba. Rail services are also expected to improve, not least because of the introduction of air-conditioned coaches on the Alexandria-Cairo line at a cost of about \$58 million.

At present, after a spate of construction aimed at the three-star tourist category, luxury

resorts are being particularly favored. One, a five-star tourist village at Qusair, south of Safage on the Red Sea, is being financed by a Stockholm-based group, Swede Egypt.

An Arab Gulf firm, the Abu Dhabi Touristic Investment Company (ADTIC), is building other tourist villages in Hurghada on the Red Sea and at Sharm el-Sheikh. Private investors from Egypt and the Arab countries, including Saudi Arabia's Dallah group of Jeddah, also set up a company earlier this year to develop other tourist areas on the southern shore of Lake Qarun, near the El-Fayoum oasis.

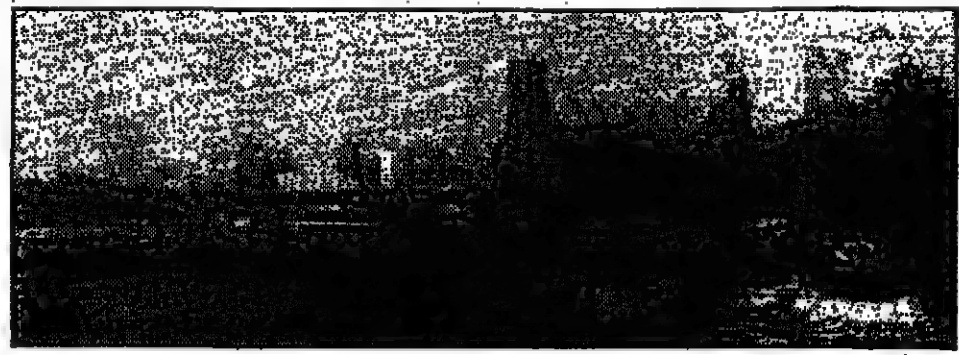
One of the most ambitious proposals, however, calls for the construction of a world-class resort at Ras Abu Soma on the Red Sea coast at a cost of around \$1 billion. Swedish entrepreneur Bertil Jernberg, Egypt's Export Development Bank and other Arab investors hope that work on the project can start this year, with the first visitors arriving late next year.

Aimed at the top range of the tourist market, it will have special security facilities, a casino, palaces, a convention area, luxury hotels and holiday villas. U.S. architects Skidmore, Owings & Merrill are drawing up the designs, which will also include an exclusive transport link between

the site and the Hurghada airport, 35 miles to the north.

While debate rages in the local press and in Parliament about proposals to privatize the leading state-owned hotels, including the Marriott, Meridien and Mena House, investors are getting the go-ahead to expand and refurbish others that have suffered from the government's lack of funds for repairs and modernization. ADTIC is going ahead with work to upgrade the Cairo Holiday Sphinx hotel and is reported to be considering plans to build another luxury hotel in Luxor.

In Alexandria, a group



The Nile passing through central Cairo.

of Arab investors led by a local business family, the Abul-Futouh, has been given a \$75 million contract to develop the state-owned San Stefano hotel on the seafloor and its grounds covering 30,000

square meters (322,917 square feet). Current plans call for the construction of another hotel within the grounds and for the development of health club facilities, water sports and gardens.

Such plans could also restore confidence in the tourist sector, especially if the developers pay closer attention to the need for safety, as well as the comfort of their guests.

P.A.S.

Proponent of Privatization Leads Ministry

Fouad Sultan, Egypt's minister of tourism and civil aviation, is one of his country's main supporters of private industry.

While he has long favored privatizing industry in Egypt, Mr. Sultan nevertheless feels that mistakes in implementation of privatization could cause economic and political setbacks for the country.

Mr. Sultan favors improving the performance of companies to be privatized through the reduction of government intervention in their management decisions and the removal of government price controls on their products. He says: "I am not critical of the government, but I am critical of central planning. I cannot accept central planning."

Since Mr. Sultan became tourism minister four-and-a-half years ago, tourism has become Egypt's fastest-



growing economic sector and the second-largest foreign-exchange

earner. This performance is the result, he says, of "the government's playing the role of regulator rather than competitor with the private sector, which is what has created confidence."

Mr. Sultan has arranged for the management of many major hotels to be taken over by international operators, and he has leased other previously government-controlled facilities such as Alexandria's San Stefano hotel.

Mr. Sultan supported the recent sale of the Hurghada Sheraton and is currently involved in the upcoming sale of the Cairo Meridien Hotel to private owners.

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Banking and Finance Showing Profits

With one of the oldest established banking sectors in the Arab world, Egypt has some of the area's most sophisticated banks and financial institutions.

In the past few years, the banking sector has undergone some severe disruptions caused by a sharp devaluation of the Egyptian pound and a drain of deposits as Egyptians sought to reap the higher returns promised by the banks' rival Islamic institutions and money changing houses.

There are signs this year, however, that confidence in the banking sector is returning, not least because early results for 1989 show rising profits for some important commercial banks and growing balance sheets for the country's important public-sector institutions.

NBE reported a 25 percent profit rise in 1989

Although Egypt's banking system was nationalized in 1961, foreign banks and joint ventures have been allowed to operate in the country since 1974. Today Egypt has some 100 financial institutions, including the big four state-owned banks—Banque Misr, the National Bank of Egypt (NBE), the Bank of Alexandria and the Banque du

Caire. Joint ventures—whose partners are drawn from the United States, Europe, Asia and Africa—along with foreign branch banks and private banks, now total about 72 and include some of the most profitable institutions in the country.

In addition, there are a small number of investment and financial institutions, most of which are state-owned, set up to cater to specific needs such as development or the promotion of trade and industry.

NBE, Egypt's biggest bank, reported a 25 percent rise in its total assets for the year ending in June 1989 to just over 18 billion Egyptian pounds (US\$7 billion), mainly because of a rise in its trade finance activities. Assets also rose significantly at Banque Misr and at the Bank of Alexandria, by 17.5 percent and 16 percent respectively. Banque Misr reported that it had invested in 77 industrial and other projects worth a total of 17.7 Egyptian pounds.

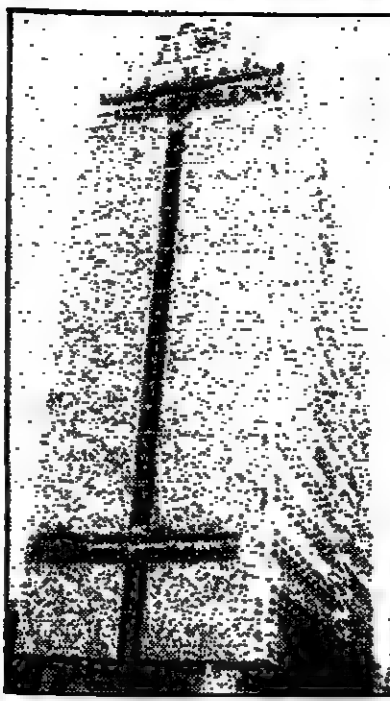
Other results for the big public-sector institutions were less impressive, however, particularly with regard to their capital/assets ratios

and profits. The London-based weekly Middle East Economic Digest (MEED) reported in January that the ratio of profits to assets for each of the three reporting banks amounted to only slightly more than 0.2 percent, a low figure by international standards.

In contrast, the Export Development Bank of Egypt (EDBE), which is owned by the big four state banks and the National Investment Bank, saw its net profits soar almost 60 percent during the same period. Assets were up 36 percent to \$191 million, producing a remarkable return on assets of 3.3 percent.

Established by the government in 1983 to promote exports and investment, EDBE has been particularly active in the mushrooming tourist sector as well as in providing trade finance and export credits.

Although many of the foreign banks now operating in Egypt have experienced a rise in their non-performing loans as a result of the devaluation of the Egyptian pound during the second half of the 1980s, the relative stabilization of the commercial bank exchange rate during the past year has helped profits and



The Nile Bank, Cairo.

balance sheets at several institutions.

Misr International Bank, Egypt's largest joint-venture institution, recorded a 51 percent rise in net profits for the calendar year 1989, to \$10.4 million. The bank's shareholders include First National Bank of Chicago, Banco di Roma and

Mitsui Bank, as well as Banque Misr and other investors from Europe and the United Kingdom.

Egyptian American Bank, which is owned by Bank of Alexandria (51 percent) and American Express Bank (49 percent), reported a 70 percent rise in net profits to \$18.2 million for the fiscal year 1989/90. Like EDBE, it has a strong customer base in the profitable tourist sector as well as in private-sector industries.

The Nile Bank, a wholly Egyptian-owned private commercial institution, was founded by Issa Ismail El Ayouty, Aboul Fotouh (a leading contractor) and others, and is managed by Aleya El Ayouty. The bank recorded an impressive showing in 1989, with assets up almost 30 percent to just under \$332 million by the end of December. Net profits rose 28 percent to \$6.8 million. In addition to an extensive branch network in Egypt, the bank has significant shareholdings in industrial, agricultural, construction and service companies.

Foreign banks that operate solely in the foreign-currency sector and which are forbidden under Egyptian law to undertake activities in the domestic market have had the roughest going to date. Britain's Lloyds Bank announced at the end of last year that it was closing its Cairo branch, set up in 1976. Although the bank's headquarters attributed the move to a worldwide

streamlining of its operations, similar banks in Cairo have seen their list of bad debts grow as customers who borrowed in foreign currency were unable to repay their loans when the Egyptian pound was devalued.

Commercial International Bank (CIB), a subsidiary of NBE, is to take over Lloyds' branch and local business, and the British institution has said that it would make provisions for all non-performing loans on its books before the takeover is completed at the end of June.

Despite these problems, both local and foreign bankers are reported to be buoyed by a rise in the amount of foreign currency deposits now being placed with the banks. Before a major reform of the Islamic financial institutions was launched in 1988, many of the thousands of Egyptians working abroad had deposited their funds with these unregulated institutions.

The collapse of some of the Islamic finance houses and the regulation of others had made conventional banking more attractive to foreign currency holders since 1988, as has a rise in interest rates paid on savings by the commercial banks. By February, the monthly flow of dollars, francs, dinars and other hard currencies into the banking system was reported to have risen to \$267 million, compared with only \$208 million in February 1989.

P.A.S.

New Industrial Activity

Continued from Page 9

enough to grow out of it. But with government encouragement, both formal and informal, many Egyptian executives are beginning to be more optimistic.

"The long-term growth opportunities for Egypt are enormous," says Youssef Mansour, chairman of Mantrac, the dealer in Egypt for Caterpillar, Rand-Ingersoll and Michelin. Mr. Mansour compares Egypt today with Spain a few years ago and believes that his country may be on the verge of a Spanish-style economic boom.

To encourage private investment—both from abroad and from Egyptians—the Mubarak government has initiated a series of incentives including customs breaks for traders as well as manufacturing

incentives such as cut-price land and tax breaks.

The incentives are especially appealing in four of the country's new industrial cities (three near Cairo, one near Alexandria) where companies can get large plots of land at cheap prices, 10 years of tax-free profits, low-cost loans and cut-rate duties on imported machinery.

"Anyone who wants to do business in Egypt will find all the doors open," says Alaa Zahran, general manager of the Zahran Co., a leading Egyptian kitchenware manufacturer. While welcoming foreign business, Mr. Zahran is one of a number of leading Egyptian industrialists who believe the country must stop looking for help abroad and begin tugging more heavily on its own bootstraps.



Manufacturing sector: boosting exports is a primary goal.

One of Egypt's priorities, given the country's steadily worsening balance of payments, is to try to ease the trade deficit by boosting exports. A key step has been government support for a new bank devoted to helping exporters, the Export Development Bank of Egypt (EDBE).

"I think we are bound to change," says Hazem El Beblawi, EDBE head. "There are some signs that for the first time we are ready

to make a serious attack on the public sector."

Serious questions remain, however, over whether Egypt can act quickly enough and effectively enough to counter its most pressing demographic and political problems.

Demographically, Egypt's awesome population growth—an estimated increase of about one million every nine months—acts as a brake on the sort of production

increases needed to meet the public demand for higher living standards.

Politically, privatization and the removal of government subsidies are viewed as necessary for establishing a free-market economy, but are also viewed as harbingers of even higher inflation and unemployment.

In turn, public frustration over worsening conditions is seen as a breeding ground for the small but highly vocal and sometimes violent Islamic fundamentalist movement that would like to bring a religion-dominated regime to Egypt.

In addition, Egypt's economic efforts may be thwarted by bad timing. While Egypt wants to accomplish many of the same free-market goals as the emerging democracies of Eastern Europe, the changes in Eastern Europe may be a threat to Egypt's success.

Egypt's chief advantage over and attraction for Western business is its substantial supply of cheap labor—an advantage shared by coun-

tries such as East Germany, Poland, Romania, Hungary and Czechoslovakia. Several Egyptian industrialists, however, plan to profit from the new openness by expanding into Eastern European markets.

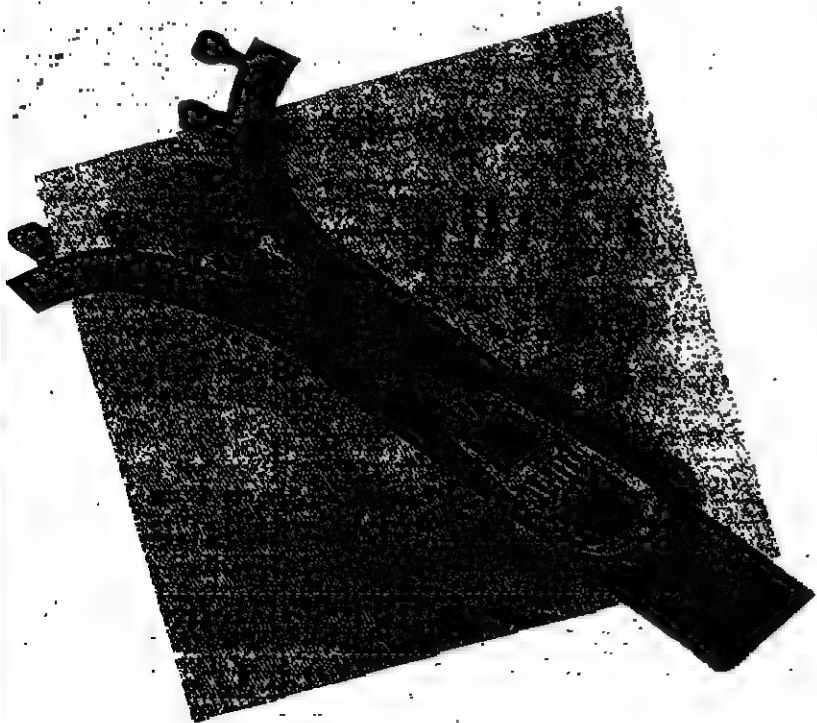
President Mubarak's visit to Moscow this May—the first visit to the Soviet Union by an Egyptian leader in 18 years—underscores the government's willingness to form new commercial as well as political links.

Despite the obstacles, Egyptians are quick to remind visitors that they have a history of hard work and patience. The move toward more private industry, they believe, is just the first stone to be laid for a new economic pyramid.

In a recent speech, Mr. Mubarak appealed to Egyptians to support the government's economic reforms. "We have to cooperate and work together. We have to take firm measures to get out of the crisis," he said.

Timothy Harper

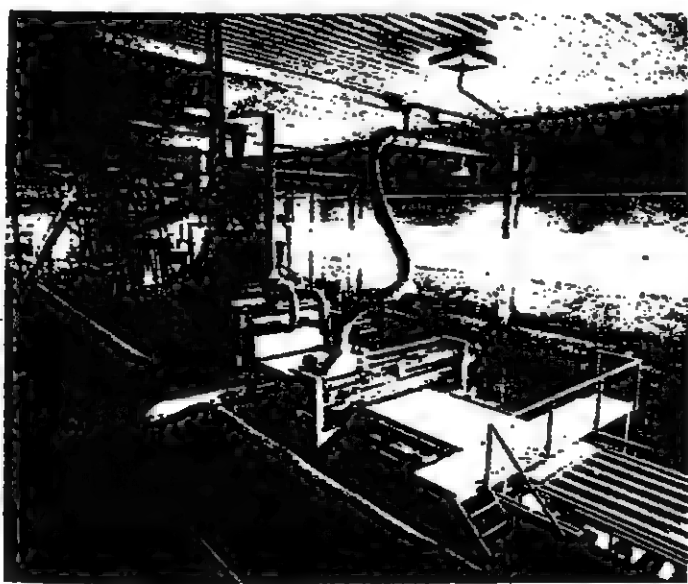
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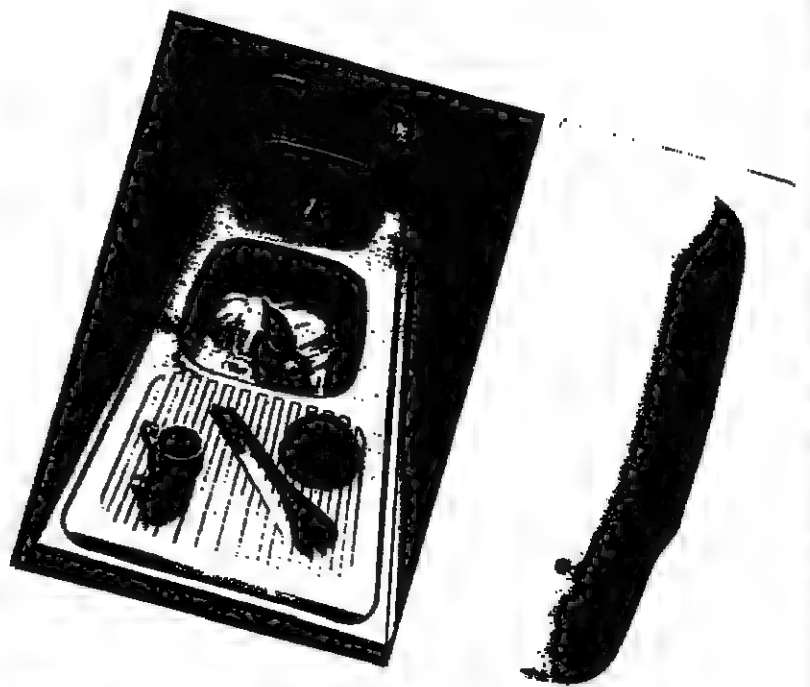
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ADVERTISING SECTION

Water Resources: The Need To Change Ancient Patterns

An Egyptian businesswoman and the attendant in the ladies' locker room at her Cairo health club are having a running battle — a running water battle, that is.

Each time the businesswoman goes into the locker room to change for her aerobics class, she finds all six showers going full blast, even if no one is taking a shower. The businesswoman pointedly turns off all the taps. But when she returns an hour later, all the showers are on again.

"I keep telling the attendant to turn off the taps, that she's wasting water, but she just says that Allah brings everything. It's been that way in Egypt for 5,000 years, and people

"For the coming century, the 55.5 billion cubic meters a year may not be enough," Mr. Said says.

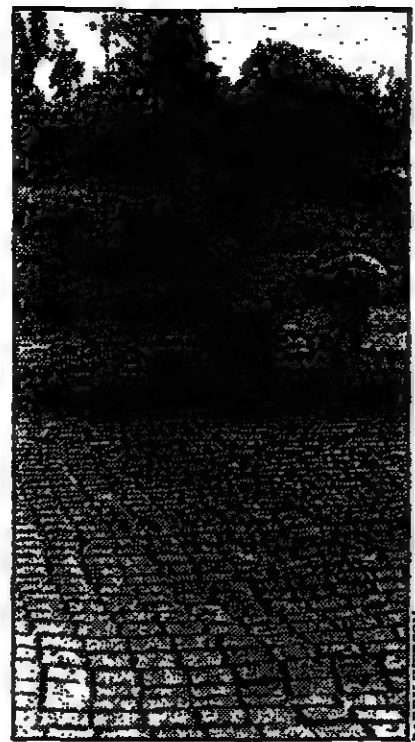
While conservation methods — such as turning off shower taps at health clubs — can save some water, Mr. Said believes recycling water is a key to the future, especially re-using drinking water for the agricultural growth that will be necessary to support the country's exploding population. He says the country is adding about 7 million acres of farmland a year, much of it reclaimed from the desert through irrigation, but more could be added if more water were available.

Ibrahim Zaky Kinawy, a retired government minister of irrigation who now serves as a water consultant to both private and public companies, is recommending that Egyptian agriculture — which is more than 90 percent privately owned and operated — shift its crop priorities to help save water.

Egyptian sugar cane, which requires 17,000 cubic meters of water per acre per year, is widely cultivated to help satisfy the country's collective sweet tooth. Egypt consumes 77 pounds (35 kilograms) of sugar per capita per year, one of the highest rates in the world.

Mr. Kinawy recommends a shift to sugar beets, which require only one-quarter as much water. He acknowledges that beets produce only about 85 percent of the sugar that cane yields, but points out that farmers can harvest two beet crops a year instead of only one cane harvest. The government is planning a new factory for processing sugar beets in order to create a demand and encourage farmers to plant them instead of sugar cane.

Similarly, Mr. Kinawy is campaigning for the introduction of a Mexican variety of wheat that requires about the same amount of irrigation water but produces twice



Making bricks from Nile silt (above); restoring the Sphinx: an ancient culture is evolving.

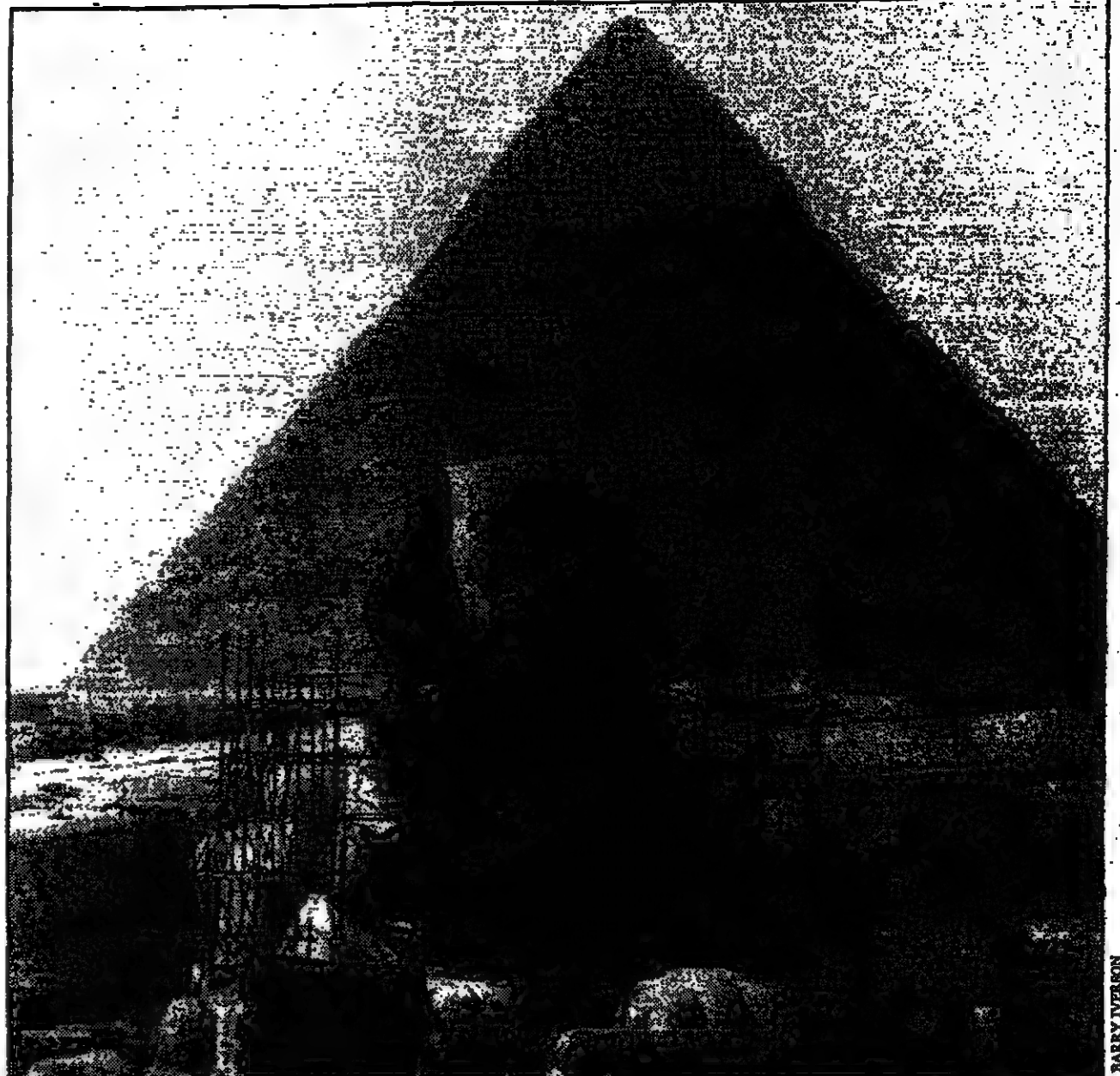
as much wheat as the common Egyptian variety. The Egyptian government is pursuing new water sources.

In the southern region of Sudan, a project to drain off a vast swamp-land and divert the water for use by both Egypt and Sudan is possible but has been stymied for the last eight years by armed rebellion in Sudan.

In Ethiopia, a dam could be built on Lake Tana, which feeds the Blue Nile. More than a billion cubic meters of water could be diverted to Egypt, with another billion cubic meters to Sudan. Ethiopia, meanwhile, could use power generated from hydroelectric plants built in conjunction with the dam.

Egypt is facing problems with management of waste water. Huge new sewers, up to six meters in diameter, are being dug in Cairo to accommodate the rapid growth of the city and to replace the antiquated turn-of-the-century sewage infrastructure built during British colonial times.

To tourists, one of the most visible signs of the problem is the scaffolding now obscuring the Sphinx,



whose lion's body is crumbling as fast as its famous cracked human face. The scaffolding will be in place for the next 5-10 years, at least, as restorers try to slow the crumbling caused by sewage seepage from the nearby village, a haphazard collec-

tion of shops and shanties that relies on trade from the tour buses.

For thousands of years the stone of the Sphinx has withstood the elements, but the unprecedented level of moisture in the ground below is weakening the sculpture.

Government officials are hoping to move the village until deciding what sort of development, if any, should be allowed at the foot of the Sphinx, and what sort of sewage system it should have.

T.H.

Business Briefs

• Construction work is due to start soon on a multimillion dollar project to rebuild the Alexandria Library, which was destroyed by fire during the Roman invasion of Egypt 2,000 years ago. One of the unique achievements of ancient civilization, the library housed thousands of volumes of original works by philosophers and scientists such as Plato, Aristotle and Homer. The library is to be rebuilt on the same site. Its construction represents part of concerted efforts to revive the Mediterranean city's cosmopolitan character. A fund-raising campaign for the \$160

million project was launched in the presence of royalty and celebrities last February. Saudi King Fahd, Iraqi President Saddam Hussein, United Arab Emirates Sheikh Zayed Bin Sultan and Saudi Prince Turki Bin Abdel-Aziz donated a total of \$64 million for construction of the new library, which is to be opened in February 1995.

• The latest in exportable military technology will be on display for Middle Eastern and African buyers at the Cairo International Defense Equipment Exhibition, November 5-9, 1990. The

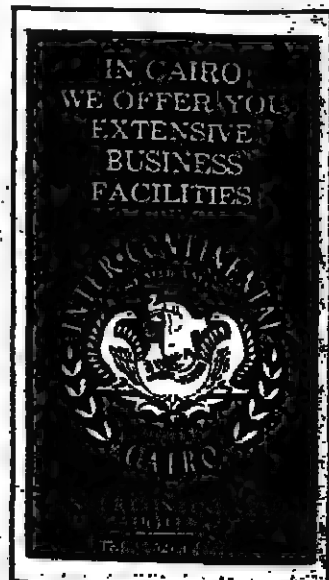
third annual exhibition of military hardware and ammunition will for the first time include Arab producers such as Saudi Arabia, Iraq and Jordan, in addition to major Western exporters like the United States and France. Other Third World manufacturers introducing their military production through the exhibition for the first time include Pakistan, India, China, Brazil, Chile and Argentina. Egyptian-assembled and partly manufactured F-16 and Mirage 2000 fighters, as well as Aljafet and Tucano training aircraft, will participate in live shows to promote Egyptian industry. Egypt will also exhibit the MI-AI main battle tank, the most up-to-date in its category, to

be coproduced with the United States in 1991.

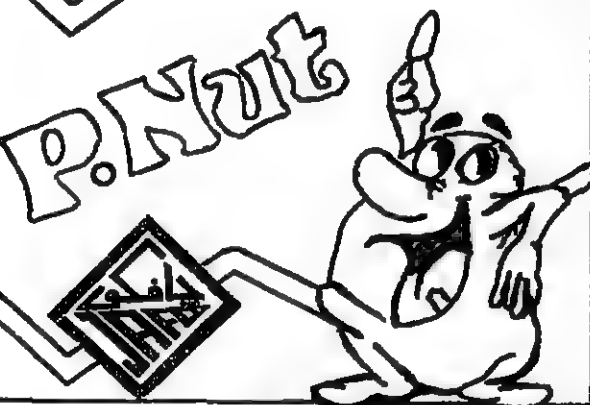
• Foreign exporters seeking to enter Egypt's market of 55 million consumers have an ideal opportunity to introduce their products at the Cairo International Trade Fair. The 23-year-old annual fair represents an opportunity for contacts between foreign suppliers and potential representatives, agents, distributors or partners in Egypt. Over one thousand foreign companies participated in this year's fair, which registered a record one million visitors. Next year's fair to be held in March 1991 will be open to professionals one week and to the public the following week.

• The Permanent Export Exhibition — open to foreign trade delegations, representatives and business people — is sponsored by the Egyptian Businessmen's Association, which groups 380 of the country's top entrepreneurs and professionals in business-related areas. It actively pursues the promotion of private-sector interests as well as the expansion of links with foreign business partners. A total of 80 local and joint-venture firms are represented at the exhibition, where a wide variety of 120 exportable goods is on display. These range from chemical products to processed food, leather goods, ready-made clothes and construction materials. Appointments for visiting the exhibition, information about the exhibitors and contact with exporters can be arranged through the EBA, whose headquarters are located at the exhibition site in the Nile Tower, 21 Giza Street, Cairo.

Ofat Tohamy



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ADVERTISING SECTION

ADVERTISING SECTION

Agriculture in a Fragile Environment

While the U.S. and Europe worry about the price of oil, Egypt worries about the price of wheat — especially as the country's population continues to grow.

When drought conditions hit the American Midwest last year, the price for American grain soared to \$190-\$200 a ton, up from \$140-\$150 two years earlier. While Egypt benefits from U.S. aid to finance its purchases of wheat, it had to reduce some of its other food imports from the United States because the amount of aid did not rise to cover

the higher grain prices. While that may mean fewer sales for American farmers, it also means empty stomachs in Cairo, a prospect that is causing increasing concern to Egyptian planners.

With the country's population due to double over the next 30 years to 110 million people, the government feels a growing sense of urgen-

cy about developing its own food supplies. Efforts to expand production in the fertile Nile Delta are already reaching their limits. Supplies of water from the huge Aswan dam are declining as Sudan and other states draw on the Nile waters and as problems of silting and aging equipment take their toll. Egypt must follow its Arab neighbors in

the drier states and invest more in land reclamation and irrigation equipment.

In 1989, the Egyptian government set a target of 85,000 hectares (210,000 acres) to be reclaimed, mostly in the delta, the northern Sinai peninsula and in Upper Egypt. "It's our only option," says Dr. Adel El-Beltagy, under secretary for land reclamation at the Ministry of Agriculture. "We have to increase food production, provide jobs to ensure sociopolitical stability and spread the population outside the congested delta area. Luckily," he adds, "we are blessed with land to expand."

Egyptian officials estimate that the cost of reclaiming each feddan (one-half hectare) of land costs about \$790. Given the country's chronic shortage of foreign exchange and surplus cash for development, that means that foreign investors and multinational companies, as well as local Egyptian entrepreneurs, are being encouraged to take part, despite the country's traditional reliance on the public sector for support of the agricultural sector.

Under the current five-year development plan ending in 1992, some 315,000 hectares are to be reclaimed. Of this, private investors will be allocated about 237,000 hectares, which are to be sold at prices ranging from \$850 to \$1,700 per hectare. The remainder is to be distributed to landless farmers and unemployed graduates at cheaper rates, with special subsidies earmarked to help them build homes,

schools, shops, offices and health clinics in the new villages to be built on the land. Altogether, the government estimates that up to six million hectares of desert could be reclaimed, given adequate foreign investment.

Financing for such projects is already coming in from Western governments and companies as well as from Arab aid funds. The European Investment Bank (EIB) agreed at the end of last year to provide funds worth 35 million (\$44.5 million) for a land reclamation project in Nubariya, west of the delta. The loan, which is for a 20-year period, carries an interest rate of only 6.3 percent. The project, which is expected to cost a total of \$140 million, could lead to the reclamation of some 21,000 hectares of desert land.

One of the biggest and most ambitious projects under way involves the reclamation of some 250,000 hectares of land in the Eastern Desert and in the Sinai Peninsula, returned to Egypt under the terms of the peace agreement with Israel following the 1973 Arab-Israeli war. Work on the first phase, the construction of an 87-kilometer (54.05-mile) canal from the eastern branch of the Nile River in the northwest delta, across the Eastern Desert to the Suez Canal, has already begun and is due to be completed by the end of September. In addition to transporting water from the Nile, the canal will also make use of runoff supplies from the delta's farms.

Preliminary bids have now been invited from international contractors for the second stage of the

project, which involves building huge siphoning works to carry the Nile water under the Suez Canal across to the Sinai desert. From there, a 155-kilometer canal will be built to transport the water along the northern Sinai coast up to El-Arish.

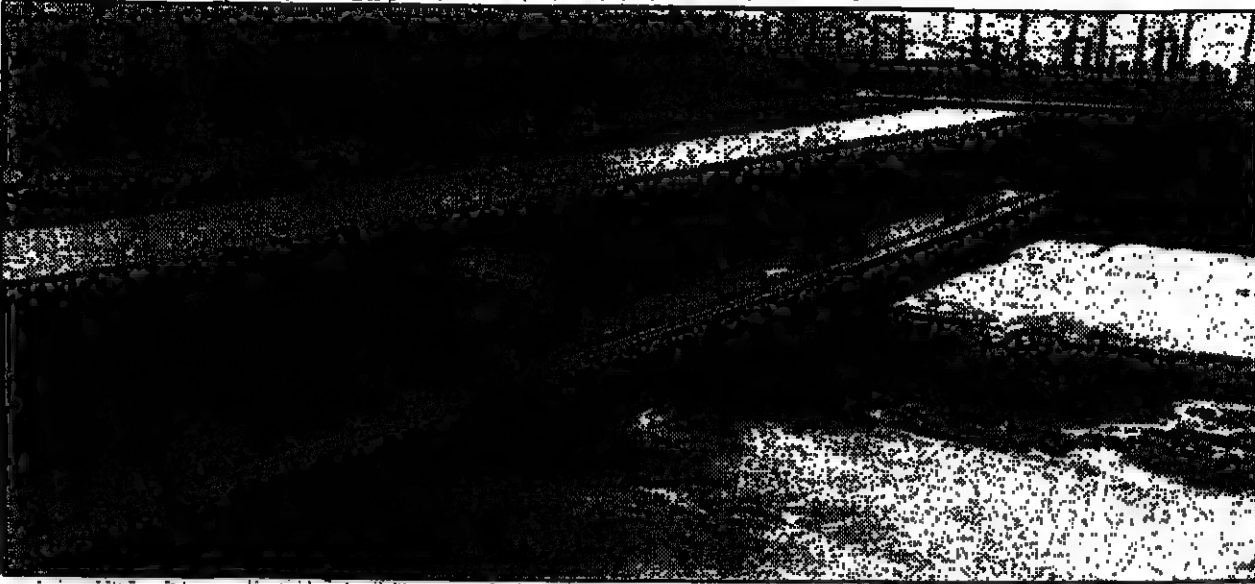
Japan has already provided funds to finance the construction of the first part of the canal from the delta to the Suez Canal. Earlier this year, Saudi Arabia agreed to lend \$25 million to finance the siphoning works, which include the construction of an underwater tunnel 29 meters (96 feet) below the bed of the Suez Canal.

The government of Kuwait has also announced that it will contribute up to \$200 million to build the necessary irrigation works and agricultural installations in the Sinai Peninsula itself. When completed, the entire project should open up some 80,000 hectares of land on the west bank of the Suez Canal.

In the longer term, Egypt is also hoping to diversify its food production to reduce the cost of imports and to create new sources of export earnings. While products like rice and sugar constitute the main crops, efforts are being made, particularly by the private sector, to increase the output of fish and fish products. One recent study published in London shows that Egypt could greatly benefit from increased world demand for both seedless and wine-making grapes by introducing those varieties most suitable to market needs.

P.A.S.

Turbines at the High Dam in Aswan.



MARY WILSON

Export Growth

Continued from Page 9

contributed no more than a dismal \$200 million — only about 3 percent — of Egypt's foreign earnings.

The balance-of-payments deficit has heightened Egypt's national recession and spurred both the inflation and unemployment rates to 20 percent. With its population increasing by nearly 1.5 million a year, Egypt desperately needs the growth that can only come from bringing in more foreign money through increased exports.

Besides establishing new industrial cities and other incentives to industry, such as tax breaks and customs duties, the Egyptian government, in 1986, established the Export Development Bank (EDBE).

EDBE, which is owned by five government-backed banks but is itself privately run, focuses on loans and investments for fully or partly privately owned and privately operated companies. So far the EDBE has helped finance 70 projects for 50 different Egyptian companies, many of them located in the new industrial cities. Its loans total about \$60 million out of the estimated \$150 million cumulative cost of the projects.

The EDBE has supported a wide range of industrial projects, including aluminum, ceramics, sports

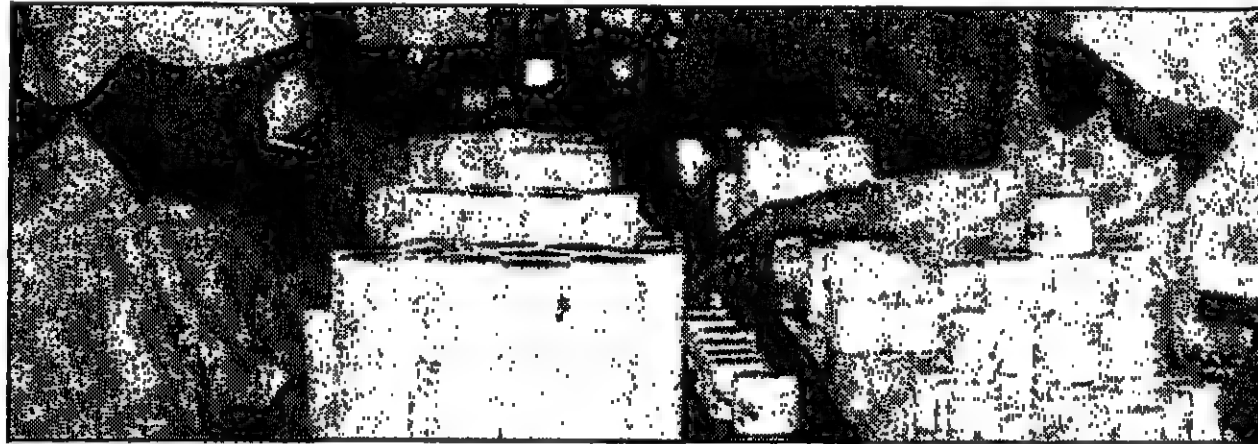
shoes, pharmaceuticals, furniture, carpeting, textiles, many different tourism-related companies and dressmakers such as BTM. In addition, the EDBE has helped various firms that do not export directly but do support exporters, such as advertising, printing and packaging companies.

One company that has benefited from EDBE support is the Eastern Industrial Investment Co., which produces a wide range of products, including consumer goods, packaging, and household chemicals.



Dr. Hazem El Beblawi, chairman, Export Development Bank.

Around 60 percent of the company's marketing efforts focus on the domestic market, with a 60 percent focus (set to rise to 75 percent) on



Beledy Group cosmetics production, one of Egypt's successful industries.

export operations. The company exports mainly to Eastern Europe and the Middle East.

The EDBE has also established an information center to help Egyptian companies that need market or technical information on where or how to export, and the Egyptian Parliament is considering legislation that would provide credit insurance to protect Egyptian exporters from nonpayment by foreign buyers.

Along the way, the EDBE has set an example of what can be done through private management; profits have increased from 2.1 percent the first year to 3.8 percent in 1987, 10.2 percent in 1988 and 16.2 percent last year.

Hazem El Beblawi, the chairman of the EDBE, says increased ex-

ports are imperative because, as he puts it, "We can't live without imports. We cannot reduce imports without jeopardizing Egypt's standard of living or overall economic activity." If Egypt reduced its imports by \$1 million, he says, that could translate into a \$10 million drop in value-added exports. Just as significant, he says, is Egypt's need to emerge from its insulated, stagnant, public-dominated economy and join the world of free markets.

"If we want to cope with change, with new technology, we have to be part of the world," Mr. Beblawi says, adding, "I personally think the opening up of borders is important for helping reduce the balance of payments. It will help keep this country in step with the times."

Mr. Beblawi is not daunted by

the prospect of Egypt competing with the emerging democracies of Eastern Europe for Western trade and investment. "I think what's happening in Eastern Europe will benefit the world, including the Middle East," he says. "It's much better to have a healthy, prosperous world instead of a stagnant, divided world."

Mr. Beblawi hopes that, like Eastern Europe, economic reforms in Egypt will go hand in hand with political liberalization. He says: "It's a whole new mentality, starting with having faith that trade is important, relations are important, mobility is important, innovation is important. You can't have exports in a police state."

Mr. Beblawi acknowledges that Egypt's President Hosni Mubarak

faces political risks, largely the threat of instability sparked by Islamic fundamentalists opposed to any type of westernization, in pursuing a free-market policy.

"The dilemma for the present regime is that [Mr. Mubarak] recognizes the need for economic liberalization and is also prepared for some liberalization in the political arena," Mr. Beblawi says. "But the problem is that liberalization might be needed a little more than the regime is prepared for. We haven't got enough experience, not only in Egypt but over all the Middle East, for the transition from a completely controlled and administered economy to a complete market economy. Experience has shown that the transition is extremely unstable," he adds.

The transition, especially as subsidies are removed despite the risk of higher inflation and unemployment, may create consumer hardships that lead to political instability.

But Mr. Beblawi is nevertheless sure that Egypt will become a freer, privately driven, export-oriented country simply because it has to do so in order to survive.

"This is something I can be confident of, that this change will come," Mr. Beblawi says. "This is a country that has been living beyond its means. We've been living beyond our means for 30 years. But foreign aid is going to diminish. We will have to live more by market ethics."

T.H.

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Saving	4,740	6,090	7,050

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The SUMED pipeline makes crude oil available at Sidi Kerir within 13 days of loading in the Arabian Gulf. Considerable time savings are therefore possible in supplying Arabian Gulf crude oil to European markets.

Via:	Tot Rotterdam Netherlands	Fos France (days)	Augusta Italy
African Cape	33	32	33
SUMED pipeline*	23	18	16
Saving	10	14	17

*Assumes 5 days for the SUMED transfer

Cargo flexibility
A single large tanker can load two different types of crude oil in the Arabian Gulf and discharge them into the pipeline system. Two smaller vessels can then lift the different crude oil types and make deliveries which meet the needs of individual European refineries, thus avoiding two-port discharging or lightering.

Similarly, two large tankers can each load one type of crude oil to full capacity at different Arabian Gulf ports, thus avoiding two-port loading. Both crude oils can be simultaneously offloaded into the SUMED pipeline and lifted at the Mediterranean end by a variety of smaller vessels, each destined for a single European port.

Security against disruption of services
The whole SUMED pipeline is within the boundaries and under the jurisdiction of one country. Disruptions of pipeline services, such as those that have occurred on other systems, are therefore not a threat. Furthermore, the line and the ports are owned and operated by a company which enjoys a considerable degree of autonomy within the Arab Republic of Egypt. For example, SUMED has a fully independent administrative system and users of the line incur no port charges.

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General Petroleum & Mineral Organization of Saudi Arabia (PETROMIN)	6,000	15.00	60.0
Kuwait Foreign Trading	5,600	14.22	56.9
Contracting & Investment Co.	300	0.75	3.0
Kuwait Investment Co. (SAK)	300	0.75	3.0
Kuwait Metal Pipe Industries Co.	200	0.50	2.0
Qatar National Petroleum Corp.	2,000	5.00	20.0
Egyptian General Petroleum Corp. (EGPC)	20,000	50.00	200.0
TOTAL	48,000	100.00	400.0

Arab Petroleum Pipelines Co. (SUMED)

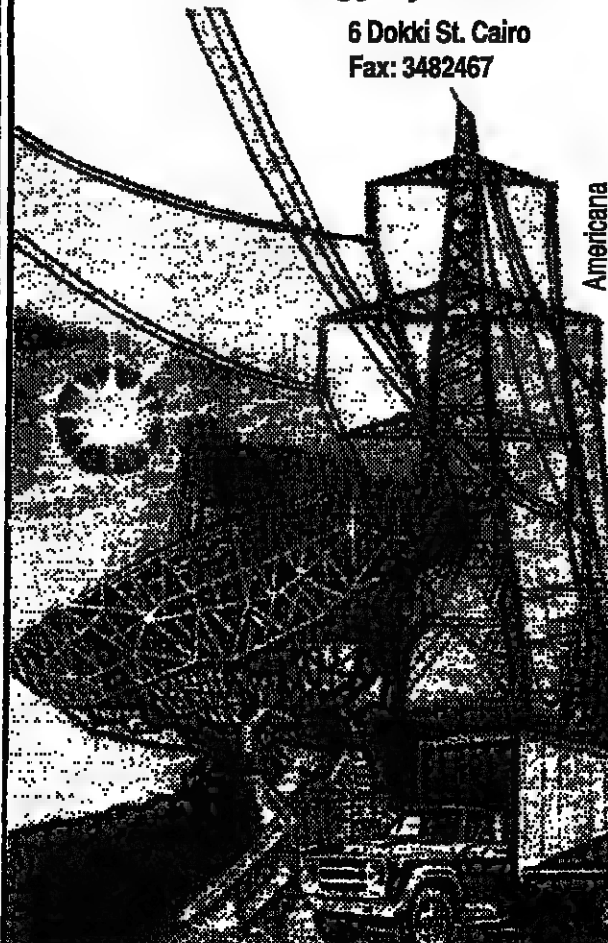
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Cairo Profile: Tips for Travelers to the Capital

For many visitors, the most important aspect of Cairo — after the pyramids, of course — is the string of five-star hotels that punctuate the downtown skyline overlooking the Nile. The hotels are typically owned by the Egyptian government or by private Egyptian interests, but are managed by Western companies such

Hiring a car and driver is advisable

as Hilton, Sheraton and Marriott.

"People are continually telling me they are surprised at Cairo. It can be hot and crowded and dirty and noisy, but it's a fascinating place, and they can always come back to the hotels that have everything that the luxury hotels in America or Europe have," says Gerhard Hardick, the Dutch-born manager of the Ramses Hilton.

Besides a pool, casino, nightclub, health club and a 100-store shopping mall, the hotel has a business center that offers fax, computer, secretarial and

In many ways Cairo comes as close as any world capital to offering tourists the ideal combination of First World facilities and Old World service at Third World prices. Not to mention a few thousand years' worth of history.



translation services. But, according to business travelers who have visited Cairo often over the years, the biggest change has been in improved telephone services.

"Only a few years ago it could take hours to get a phone call through," one Cairo-based American says. "Now you can direct dial the States from your hotel room." Prices at the five-star hotels typically start at about \$120 a night, though discounts to

as little as \$85 a night — per room, not per person — seem to be common.

Mr. Hardick says the combination of affordable prices and rich culture is attracting a new clientele: families. The biggest risk in family travel within Egypt, apart from sunburn, is still intestinal woes: Tut's Trots, Mummy Tummy, or whatever it's being called this year. As a result, most travelers in Egypt still try to take precautions — eating only in their hotels and avoiding local tap water and unwashed vegetables. A common precaution is to take small daily doses of anti-infection tablets such as the Egyptian-made Entocid.

Health authorities in different countries recommend a variety of vaccinations for people traveling to parts of Egypt outside Cairo, but such precautions are not really necessary for visitors who stay in and around the capital and who are careful about what they eat and drink.

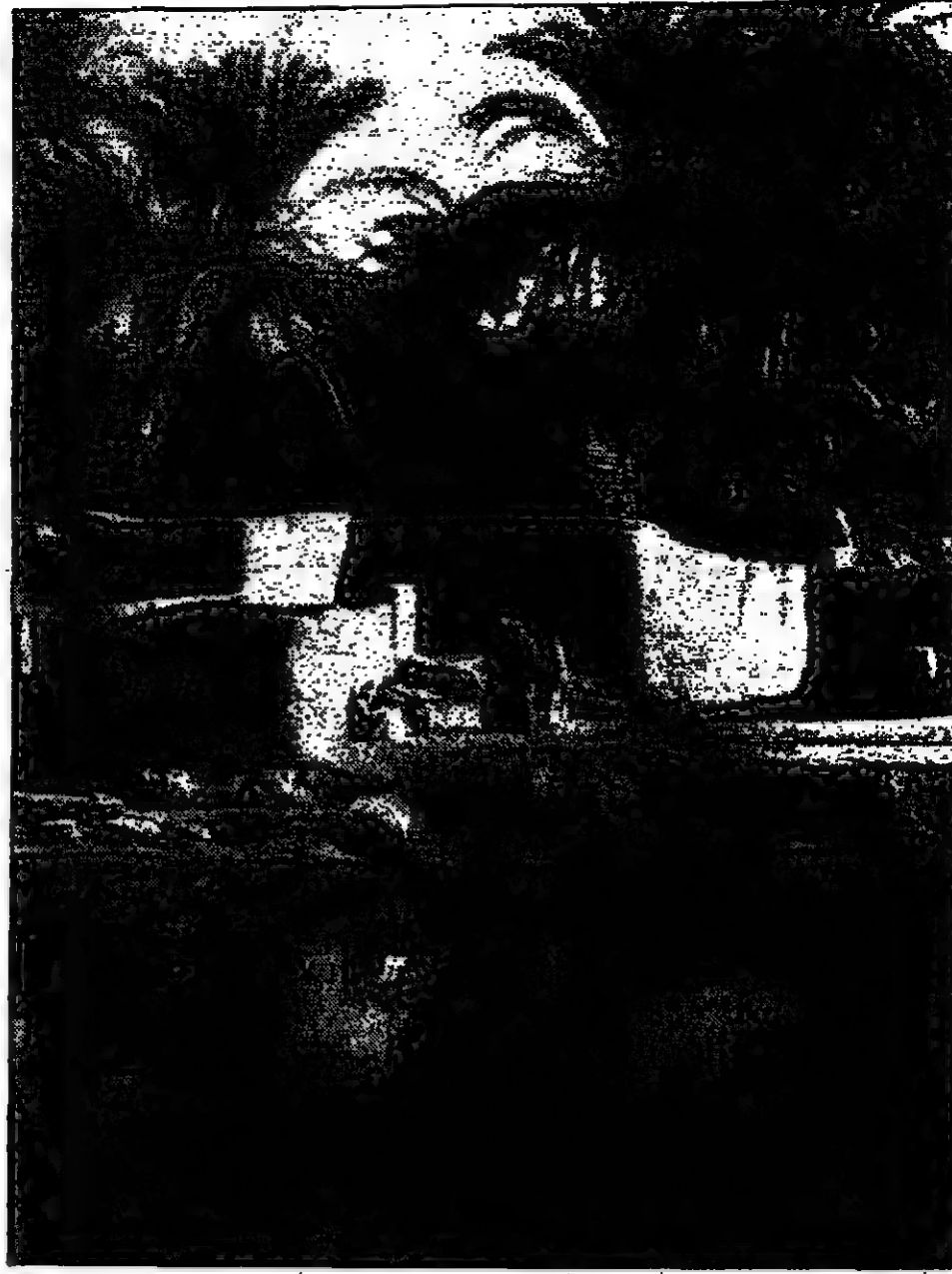
One of the most pleasant surprises for visitors is the friendliness of Egyptians, from hotel staff to people in the street. Indeed, about the only way to offend an Egyptian is to walk the streets wearing shorts — this is a country that still dresses formally.

A common complaint among visitors to Egypt is

the seemingly constant demand for "baksheesh," or tips, particularly at or near the pyramids and other archaeological landmarks. Wizzened little men stand next to a wall, point at something as a tourist walks by and then mutter, "Sheesh, sheesh," with their hands out. It's entirely acceptable to ignore these pleas, and many Egyptians wish tourists would. Egyptian tourism professionals like tips, but they would rather limit them to real services.

Nearly every first-time visitor to Cairo begins by over-tipping, passing out an Egyptian pound (37 cents) here, another there, all day long. But after a few days it becomes clear that tips are not always necessary or expected, and that tips of 25 piasters (9 cents) or 50 piasters (19 cents) are completely acceptable.

Instead of signing up for bus tours at additional cost, those who prefer to travel more independently can save money and increase their comfort by traveling in cabs or with a driver and a rental car. A cab from downtown Cairo to the pyramids costs about seven Egyptian pounds (\$2.50). Hiring a Fiat from Hertz, with a driver who speaks some English and is happy to act as a guide, costs less than \$50 a day. T.H.



A village in Upper Egypt: off-the-beaten-track sites attract tourists.

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Timeless Sites and Up-to-Date Services

The romance of Egypt's ancient sites and the timeless Nile have for centuries excited the imagination of visitors, from the traders of ancient times to 19th-century British travel impresario Thomas Cook (who organized his first Egypt tour in 1811) to tourists in the 1990s.

Egyptian tourism, one of the country's oldest industries, is now undergoing considerable development, largely provoked by the decision of Foad Sultan, Egypt's minister of tourism and civil aviation, to encourage private-sector participation in Egypt's tourism industry.

Expanded tourism options include new hotels, a new terminal at Cairo's international airport and a recent agreement to allow charter and other flights from Europe to be routed directly to Sinai resorts and

This area's main centers — Aswan and Luxor — are gems on any tourist map, guaranteed not to disappoint even the most seasoned travelers. The pace of life is still reminiscent of a more leisureed age, but available comforts — including luxury hotels and fine restaurants — are definitely up to date.

The central attractions of Luxor are the temples of Karnak and the legendary monument-filled Valley of the Kings facing the town on the west side of the Nile. After a day's sightseeing, one more magnificent treat for the traveler remains: a kaleidoscopic sunset over the Valley of the Kings.

Many travelers opt for a cruise on the Nile from Luxor to the sites of Esna, Edfu and Kom Ombo. The latter, dedicated to the crocodile-headed god Sobek and hawk-headed god Haroeris, is considered to be the best preserved of all temples in Egypt. Watching the Nile, however, can be almost as fascinating as viewing the antiquities. Primitive feluccas (boats) glide gracefully by, sharing the river with an extraordinary variety of birds, including swallows, ducks, moorhens and pied kingfishers.

Aswan lies 125 miles south of Luxor. From Aswan, which has been long favored, particularly as a winter resort, by discerning visitors, a range of excursions is possible. Among the closest to the city are the Philae temples. Saving the best till last, visitors can also take a trip to

Abu Simbel from Aswan, either by airplane or by road. Driving across the desert, travelers will usually spot camel trains, sometimes including hundreds of animals, being driven from Khartoum to the camel market in Cairo.

Few will regret the effort of going to remote Abu Simbel, a spectacular ancient edifice on the edge of Lake Nasser, barely 20 miles from the Sudan border, with four 65-foot-high statues of Ramses II and his queen carved in rock. At Abu Simbel in the quiet of dawn or dusk, the magnificence of ancient Egypt seems little changed from the days when the armies of ancient Greece and Rome passed by here.

In February and October each year, on dates believed to coincide with the birth and coronation of Ramses II, a shaft of light enters the innermost sanctuary of Abu Simbel, illuminating the darkness by touching the statues of sun gods Amun Ra and Harmakhis in turn and after 20 minutes disappearing without once touching the statue of the god of darkness Ptah.

The ancient Egyptians must have possessed great mathematical skills to develop such an enormous, sophisticated monument beyond sight of any city. But did they also possess secret powers still unknown to us? Perhaps the answer will be found someday: only one-third of the remains of Egypt's ancient past have yet been uncovered.

Anthony Richard

Timothy Harper is a London-based American journalist and lawyer. Anthony Richard is a London-based free-lance writer. Pamela Ann Smith, based in London, writes often about Middle East issues. Olfat Tohamy is a Cairo-based business and economics journalist.

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HEALTH / SCIENCE

Latest Resource: Cold Water

Scientists Tap Ocean Depths for Crops and Energy

By Richard Halloran
New York Times Service

KEAHOLE POINT, Hawaii — On a windswept point of black lava jutting into the Pacific Ocean, a small band of scientists and entrepreneurs is generating electricity, raising lobsters and growing strawberries using cold water from the depths of the sea.

Eventually, they say they hope the techniques they are devising may increase food supplies and produce energy without pollution and without the use of fossil fuels.

For now, "cold water is the resource we're selling," said Thomas H. Daniel, technical director of the Natural Energy Laboratory of Hawaii, where the projects are under way.

That water, pumped from a depth of 600 meters (2,000 feet), comes up at a nearly constant temperature of 6 degrees centigrade (43 degrees Fahrenheit).

It has a high concentration of such nutrients as nitrates, phosphates and silicates that foster the growth of plants and algae. And it is pure, having been out of contact with the surface for centuries as it drifted slowly along the bottom, and thus is free of the pathogens that carry diseases.

While profits have so far been elusive, the researchers have demonstrated the feasibility of several ideas, solved formidable engineering problems and produced a wealth of data.

The lab, which operates on a budget of \$1.5 million a year and has a staff of 20, began by seeking to use the differences in temperature between surface and deep sea water to produce electricity in a process called ocean thermal energy conversion.

But it is the other projects developed here that seem most promising: growing lobsters in half the time it takes in their natural habitat; raising flounder, sea urchins



Technical director Daniel in a cold-water pipe.

and salmon, and cooling buildings and industrial plants.

Next to the energy lab is the Hawaii Ocean Science and Technology park, a site set aside by the state for commercial development of the laboratory's findings.

Once a project developed at the lab becomes profitable, it must move out.

Aquaculture Enterprises has already moved to the park. The company has been experimenting since

1987 with lobsters and has begun test sales locally.

Joseph Wilson, a partner in the business, said that by mixing cold and warm sea water to maintain a steady temperature of 22 degrees centigrade, researchers have eliminated the near-lubrication of the lobsters in winter.

That has cut growing time to less than four years from the seven and a half years it takes in nature. As they learn more about the lobsters'

environment, nutrition and genetics, he said, "we think that could be cut again to 30 months."

Nearby, Gerald R. Cysewski, the scientific director for Cyanotech Corp., pointed to raceways in which paddles like small versions of those on Mississippi riverboats kept a green slime moving slowly.

The algae, rich in protein and vitamins, are sold for pharmaceuticals and health food. For his operation, which was open to the sun, the temperature of the water made little difference. "For us," he said, "it's the purity and the nutrients."

Royal Hawaiian Sea Farms is growing *nor*, the "spinach of the sea" used to wrap sushi rolls. A Japanese company, Uwajima Fisheries, is raising *hirame*, a flounder popular in sushi restaurants.

The cold water finds uses on land. Run through pipes the energy laboratory has laid in strawberry, lettuce and flower beds, the cold water keeps the plants at the cool temperature they like and causes fresh water to condense on the pipes. The fresh water drips from the pipes to water the plants.

The chairman of the laboratory, John P. Craven, said cold sea water could have an economic future in air-conditioning and industrial cooling. Several buildings at the energy laboratory at Keahole circulate cold sea water through their air-conditioning systems, cutting electrical costs for the buildings by 75 percent, Mr. Daniel said.

The idea of generating electricity from differences in sea water temperatures is the energy laboratory's main goal. The conversion process, which the laboratory is using to generate electricity, can be accomplished with closed or open cycles. Electricity from the more efficient closed-cycle plants, according to Mr. Daniel, would cost up to 14 cents a kilowatt hour, as against 5.6 cents for electricity generated by burning oil at \$20 a barrel.



Dr. Barry Jordan, second from left, examining a boxer at Madison Square Garden fight.

Can Boxing Be Made Safer?

By Elisabeth Rosenthal
New York Times Service

THE super middleweight match for new professional boxers at Gleason's Arena in Brooklyn, New York, is raucous and bloody, the way the crowd loves it.

Many of the punches glance off the boxers' sweaty bodies, but once in a while a glove hooks through the air and connects solidly with an opponent's head.

As the stunned fighter regains composure, electrified fans jump to their feet with a stream of cheers, jeers and hoots.

At ringside, Dr. Barry Jordan is clearly enjoying the fight. But he is also watching the action from another perspective.

A neurologist at the Hospital for Special Surgery in New York, Dr. Jordan has led a small group of doctors in a campaign to make boxing safer by bringing medical supervision and research to the ring.

In doing so, they are challenging the American Medical Association and the American Academy of Neurology, which regard boxing as so inherently injurious to the brain that it should be banned.

For boxing's critics, no amount of regulation will make boxing safe. "Our position is that there's no way to protect the brain or prevent injury," said Dr. Nelson Richards, past president of the American Academy of Neurology. "It was wrong of the gladiators to go after each other in ancient Rome. And it's wrong to box."

Although the young men in bright trunks who slip between the ropes at the arena seem to feel invulnerable, doctors warn that the thousands of head blows a professional boxer suffers can lead to permanent brain damage and blindness, even if he is never knocked out.

Sometimes the damage does not become apparent until years after the fighter's career is over.

"Boxing sure is a tough way to make a

living," Dr. Jordan said as punches thudded in the background. "But I maintain it can be made a lot safer and the dangers minimized." Dr. Jordan and his colleagues advocate numerous measures: gloves designed to prevent eye damage, ringside physicians who can stop a fight and, most important, frequent brain scans and eye examinations to detect early signs of injury and take fighters out of the ring before they are permanently impaired.

In New York, where Dr. Jordan is the medical director of the State Athletic Commission, professional boxers must be cleared yearly with neurologic examinations, CT scans of the head, electroencephalograms to assess the brain's electrical activity, and thorough eye examinations by an ophthalmologist.

California is the only other state with a similarly strict medical code and about 8 percent of applicants for a boxing license are turned away on medical grounds, said Dr. Frederick Flynn, a neurological consultant to the California State Athletic Association.

Exercise Controls Blood Pressure

By Jane E. Brody
New York Times Service

REGULAR physical exercise can be as effective as medication in treating moderately high blood pressure, a new study has found.

The findings, reported in *The Journal of the American Medical Association*, show that previously sedentary people can safely bring moderately high blood pressure under control without drugs if they are willing to exercise vigorously for 50 minutes three or four times a week.

As an added benefit, the 10-week exercise program significantly lowered total cholesterol levels while increasing the protective high-density-lipoprotein cholesterol, which helps to cleanse the body of unwanted cholesterol. On the other

hand, one of the drugs studied, propranolol, lowered the high-density-lipoproteins, wiping out the benefit from the exercise program.

The research team, headed by Dr. Michael H. Kelemen, a cardiologist with the Columbia Plan, a group health practice, in Columbia, Maryland, also studied the effects of circuit weight training, a form of exercise against resistance using a series of weight machines. In contrast to a regimen of lifting barbell-type free weights, these machines place moderate loads on the muscles and call for frequent repetitions.

The findings showed that, contrary to widespread concern, circuit weight training had no harmful effects on blood pressure in the 52 men who participated in the study. In addition to weight training, the men did aerobic activities like walking, jogging or cycling.

The blood pressure reductions occurred even though the participants lost little or no weight and were told to continue their normal diets.

In an interview Wednesday, Dr. Kelemen said the findings did not mean there is no place for medications that lower blood pressure. "We tested only those with moderate hypertension, who represent the vast majority of hypertensives," he said, "and the program was only 10 weeks long. A lot of people find it easier to take medication on a long-term basis than to get to a health club regularly."

About 58 million Americans have hypertension, and about 20 million, most of whom have mild hypertension, take drugs to lower their blood pressure. The average patient spends a dollar a day on this medication, which must be taken for life and which sometimes causes side effects, including impotence.

HEALTH Q&A

Colon Cancer and Chemotherapy

My wife was recently diagnosed as having colon cancer with spread to the liver and lymph nodes. Her Danish physicians have stated that chemotherapy has no place in her treatment, while I've read American physicians see a role for it in this context. Your view?

Colorectal carcinoma is second only to lung cancer as a cause of cancer deaths in the United States. Although most patients with this tumor undergo a surgical procedure that clears all gross tumor, up to 50 percent are found at time of surgery to have invasion of the tumor.

In a recently published study regarding chemotherapy in patients with resected colorectal carcinoma, two agents (levamisole and fluorouracil) were used to test the effect. The 1,296 patients were first screened for eligibility and then divided according to the stage (or spread) of their disease. Stage B2 patients (locally invasive) and Stage C patients (spread to local lymph nodes). The results suggest

that there is reduced recurrence rate in the Stage C patients but it is unclear whether this can be directly translated into improved survival.

Patients with metastatic spread to distant sites (such as the liver) are classified as Stage D and were not considered candidates for the study here. Whether to proceed with chemotherapy will depend on weighing the benefits and the risks. Great care should be taken not to

compromise quality of life without significant promise of benefit.

I am an Italian woman, age 41, who was told after an extensive evaluation for nonspecific stomach symptoms that I am "lactose intolerant." What can I do?

Lactose intolerance (or lactase deficiency) means your gastrointestinal tract cannot break down and

absorb one of the sugars in milk, lactose, because the lining of your intestinal tract is lacking the necessary enzyme to do that, lactase.

This is logical from an evolutionary point of view. In humans, a genetic change occurred about 12,000 years ago that allowed certain groups to maintain lactase production after weaning. You, apparently, are not one of those groups. Lactase deficiency is very common worldwide.

Your physician has undoubtedly made a list of important calcium-containing products in which lactose is already predigested by bacteria before eating. In a way, you are fortunate to be able to avoid those products that are very high in lactose and, in doing so, you are avoiding a modern killer: fat.

Michael McGannon, M.D., will answer questions every other Thursday. Please write to him at the International Herald Tribune, 181 Avenue Charles de Gaulle, Neuilly 92521, France.

Wider Abortion-Pill Sale

Washington Post Service

PARIS — In a surprise move, the maker of the French abortion pill, RU 486, has rejected the demands of anti-abortion activists and has decided to sell the drug outside France, beginning in Britain and Scandinavia.

The move reverses the company's stand. The decision was made by Hoechst AG, the West Germany

company that owns Roussel Uclaf, the French pharmaceuticals company that markets the drug. Roussel Uclaf said months ago it wanted to expand sales of RU 486, but Hoechst ruled against it.

Etienne-Emile Baulieu, a professor of biochemistry and developer of RU 486, said that Hoechst had ended its resistance. "Hoechst is not enthusiastic about it," he said. "But the Roussel people are determined to go ahead."

ACROSS

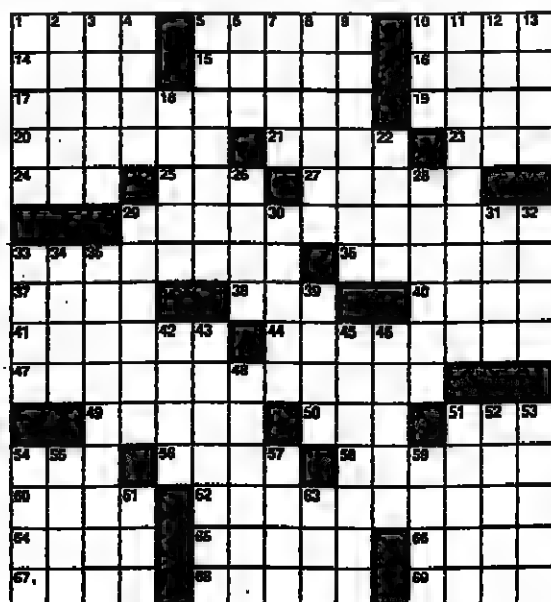
- 1 Inge's "A" of Roses
- 5 Center
- 10 Hunt's "Ben Adhem"
- 14 Official proceedings
- 15 Active
- 16 Address in "The Black Stallion"
- 17 Aggressive, amplified rock music
- 19 Teen's woe
- 20 Kind of reel
- 21 Fitzgerald or Raines
- 23 Essential
- 24 Hero follower
- 25 Dodecanese Island
- 27 Painter of "On the Stage"
- 29 Lacking individuality
- 33 Grassy plains
- 36 "The Kid," 1984 film
- 37 Kind of glass or table
- 38 What a kindly R.N. dispenses
- 40 Brian Boru's land
- 41 Immature
- 44 Obliterations
- 47 Approves automatically
- 48 U.S. Open tennis champ: 1983
- 50 — culpa
- 51 Blonde shade
- 54 Dog tags, e.g.
- 56 Count (on)
- 58 Mart
- 60 Rack's partner
- 62 Indisputable evidence
- 64 — spumante
- 65 Sign
- 66 Lévesque of Quebec
- 67 Ferryman
- Charon's river
- 69 Upright
- Chichi

Solution to Previous Puzzle

LAME SPEC DAME
AMOR OCALA ERIC
SARA TOREN COTE
THE LITTLE FLOWER
VET LAD
FLOWER OF MY HEART
OASES ONOR RAY
URUS SOLD EROSE
BEAUTIFUL FLOWER
NED TIU
FULL MANY A FLOWER
ALOE NOOSE VALE
TAGS CLUES IVAN
EROS EARS DENT

DOWN

- 1 Actress
- Christine
- 2 Vast expanse
- 3 Prop n. vampire flicks
- 4 Moog feat
- 5 Salire
- 6 Novelist Rólvag
- 7 Command
- 8 City in SW Texas
- 9 Actor in "Her Alibi"
- 10 — Khan
- 11 Futurist
- 12 Department in NW France
- 13 Nobelist in Chemistry: 1934
- 14 Service's "The Law of the"
- 22 Juan's water
- 26 Card game for three
- 28 Falher of Agamemnon
- 29 Indians of the West Indies
- 30 Anagram for tiles
- 31 French verb
- 32 British actor
- Roger
- 33 Goad
- 34 Japanese aborigine
- 35 Loquaciousness
- 36 Pack
- 37 François's tear
- 43 Cuban composer
- Lecuna
- 45 Eskimo or Olo, e.g.
- 46 Hard word for Eliza Doolittle
- 48 — Chase, Chief Justice: 1864-73
- 51 Rags-to-riches author
- 52 Air-show feature
- 53 Provender for the Owl and the Pussycat
- 54 Some nest eggs, for short
- 55 Waugh's "A Handful of"
- 57 Couple
- 59 Taj Mahal site
- 61 Veto
- 63 Understanding



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—hand delivery Madrid	Ptas. 51,400	25,000	25,740
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MARKET DIARY

Wall Street Squeaks To Another Record

United Press International
NEW YORK — Stocks edged higher in active trading Wednesday as investors sent the Dow Jones industrial average to its third record this week with last-minute purchases.

The Dow industrials, which rose

7.55 points Tuesday, added 4.03

closing at 2,856.26.

The New York Stock Exchange

index rose 0.27, to 195.85, and

Standard & Poor's 500-stock index

added 0.86, to 359.29. An average

share rose 5 cents.

Advances edged declines by a

small number as Big Board volume

slipped to 172.33 million shares

from 203.35 million traded Tuesday.

Analysts noted that Wednesday

marked the 18th day of the rally

and many investors had decided to

take an opportunity to cash in

stocks and reap the profits.

But late in the day, the market

turned up. Analysts said investors

were heartened that stocks held

relatively firm as traders took profits.

"I think it's the fact that the mar-

ket gave up little ground earlier to-

day that supported prices into the

close," said Newton Zinder, analyst

at Shearson Lehman Hutton Inc.

A sharp drop in the price of

Westinghouse stock after an anal-

yst reportedly lowered his rating

on it, and weakness in energy issues

brought on by sharply lower oil

prices kept pressure on the Dow

industrials most of the day.

Analysts said news early Wednes-

day that durable goods orders fell

by 4.1 percent in April because of

declining orders for transportation

equipment had little effect.

Nova Corp. was the most active

issue, up 1/2 to 7 1/2, after gaining

Monday and falling Tuesday. It

sold its rubber division to Bayer

AG of West Germany but Enimont

of Italy complained that Nova did

not respect bidding rules.

Texas Utilities followed, off 1/4 to

36 1/2. A new issue, Alliance Global

Environmental Fund was third, un-

changed at 16 on its first day.

Westinghouse fell 1/4 to 34 1/2 on

active volume. As for the oil issues,

Chevron fell 1/2 to 69 1/2. Exxon lost 1/2

to 47 1/2 and Texaco eased 1/2 to 59 1/2.

German Uncertainty Puts Pressure on Mark

NEW YORK — The dollar ended the week against most currencies Wednesday, with Deutsche mark weakness dominating the trading session, dealers said.

The mark was weaker on worries

about the political and financial

costs of German unification, traders

said. The German unit fell in

Foreign Exchange

lively cross trades with the yen

and modest cross trading with the

Swiss franc and pound.

The U.S. unit finished at 1.6760

DM, up from 1.6725 DM, and at

151.265 yen, up from 151.20.

It also rose to 1.4170 Swiss

franc from 1.4164 franc, and to

5.6405 French franc from 5.6390

franc.

The pound rose to \$1.6953 from

\$1.6930.

In London trading earlier, the

dollar closed mixed, recouping its

overnight losses against the mark

but remaining weaker against the

yen.

Dealers said dollar trading con-

tinued to be dominated by techni-

cal factors, but the U.S. currency

retains a broad underpinning be-

cause of the weakness in the mark

stemming from uncertainty over

German economic union.

The dollar closed at 1.6716 DM,

up from 1.6705 at Tuesday's close.

But the U.S. unit fell to 151.05

from 151.65 a day earlier.

The British firmed to \$1.6910

from \$1.6903 a day earlier after the

GOLD: Price Sinks on Big Sell-Off

(Continued from first finance page)

the seller than if he had sold out

gradually.

The official, who stood by his

story after the March sale, said he

had been "puzzled" by Wednes-

day's sell-off.

That was echoed by several dealers

in New York and London.

■ Petroleum Prices Slide

A rise in U.S. crude oil stocks to

an eight-year high and a growing

The Dow

Daily closings of the Dow Jones industrial average

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Dow Jones Averages

Open High Low Last Chg.

Index 2856.26 +4.03

Trans 117.21 +0.11

Time 112.78 +0.11

Corn 102.58 +0.11

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12 Month High Low Stock Div Yld PE Sls 100m High Low 4 Pct Ch'ge

[illegible][illegible]

Day	72 Month High Low	Stock	Div	Yield	PE	52 Wk High Low
10/1	127 1/2	Intel	1.08	5.3	21	65 1/4 19 1/2
10/4	126 1/2	HP			23	18 3/4 2 1/2
10/6	126 1/2	InfPer			50	2 1/2 2
10/7	126 1/2	InfPer			50	2 1/2 2
10/8	126 1/2	InfPer			50	2 1/2 2
10/9	126 1/2	InfPer			50	2 1/2 2
10/10	126 1/2	InfPer			50	2 1/2 2
10/11	126 1/2	InfPer			50	2 1/2 2
10/12	126 1/2	InfPer			50	2 1/2 2
10/13	126 1/2	InfPer			50	2 1/2 2
10/14	126 1/2	InfPer			50	2 1/2 2
10/15	126 1/2	InfPer			50	2 1/2 2
10/16	126 1/2	InfPer			50	2 1/2 2
10/17	126 1/2	InfPer			50	2 1/2 2
10/18	126 1/2	InfPer			50	2 1/2 2
10/19	126 1/2	InfPer			50	2 1/2 2
10/20	126 1/2	InfPer			50	2 1/2 2
10/21	126 1/2	InfPer			50	2 1/2 2
10/22	126 1/2	InfPer			50	2 1/2 2
10/23	126 1/2	InfPer			50	2 1/2 2
10/24	126 1/2	InfPer			50	2 1/2 2
10/25	126 1/2	InfPer			50	2 1/2 2
10/26	126 1/2	InfPer			50	2 1/2 2
10/27	126 1/2	InfPer			50	2 1/2 2
10/28	126 1/2	InfPer			50	2 1/2 2
10/29	126 1/2	InfPer			50	2 1/2 2
10/30	126 1/2	InfPer			50	2 1/2 2
10/31	126 1/2	InfPer			50	2 1/2 2

12 Month		36 Month	
High	Low	High	Low
100%	100%	100%	100%
90%	90%	90%	90%
80%	80%	80%	80%
70%	70%	70%	70%
60%	60%	60%	60%
50%	50%	50%	50%
40%	40%	40%	40%
30%	30%	30%	30%
20%	20%	20%	20%
10%	10%	10%	10%
0%	0%	0%	0%

[illegible]

Low 4 P.M. City					
	87°	90°		87°	90°
1 1/2	1 1/2	-	+	1 1/2	1 1/2
5 1/2	5 1/2	-	+	5 1/2	5 1/2
15 1/2	15 1/2	-	+	15 1/2	15 1/2
24 1/2	24 1/2	-	+	24 1/2	24 1/2
17 1/2	17 1/2	-	+	17 1/2	17 1/2
17 1/2	17 1/2	-	+	17 1/2	17 1/2
28 1/2	28 1/2	-	+	28 1/2	28 1/2
5 1/2	5 1/2	-	+	5 1/2	5 1/2
43 1/2	43 1/2	-	+	43 1/2	43 1/2
4 1/2	4 1/2	-	+	4 1/2	4 1/2
33 1/2	33 1/2	-	+	33 1/2	33 1/2
35 1/2	35 1/2	-	+	35 1/2	35 1/2
5 1/2	5 1/2	-	+	5 1/2	5 1/2

Country	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	29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INTERNATIONAL FUNDS

May 23, 1990

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AS - Australian Dollars; A\$ - Austrian Schillings; BF - Belgian Francs; C\$ - Canadian Dollars; DM - Deutsche Mark; ECU - European Currency Unit; FF - French Francs; FL - Dutch Florin; LI - Italian Lira; L\$ - Luxembourg Francs; p - pence; Ps - Pesetas; S\$ - Singapore Dollars; SF - Swiss Francs; ¥ - Yen; * - Offer Prices; N/A - Not Available; N.C. - Not Communicated; o - New; s - extended; S - Stock Split; - - Ex-Dividend; - - Ex-Rts; @ Offer Price incl. 3% prelim. charges - Paris transactions

Be sure that your fund is listed in this space daily. Telex Simon OSBORN at 613595F for further information.

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Mitsubishi Ponders 7 Daimler Projects

Compiled by Our Staff From Dispatches

TOKYO — The Mitsubishi group of companies said Wednesday that it and Daimler-Benz AG were discussing joint work on seven projects as part of cooperation talks the concerns announced in March.

Mitsubishi's cooperation plans with Daimler "are moving ahead faster than expected," according to Yoshihiro Taniguchi, vice president of Mitsubishi Corp., a general trading company. He said Mitsubishi would set up a Daimler-Benz Project Department on June 1 to promote cooperation.

He said Daimler has asked Mitsubishi to supply Mercedes-Benz car parts for its Asian subsidiaries, in line with raising the percentage of locally made parts to 20 percent from 15 percent.

Mitsubishi has also been asked to help supply construction and factory equipment for a one billion yen (\$6.53 billion) project to manufacture up to 300,000 cars a year at a factory to be built in Gorki, 325 kilometers (200 miles) east of Moscow, Mr. Taniguchi said.

He added the project is being negotiated with the Soviet Union by Daimler-Benz, and it has not been decided how much Mitsubishi will contribute.

A Daimler spokesman said his

company wanted to cooperate with Mitsubishi in modernizing Soviet car factories, but the German concern so far has not decided to begin any specific projects. He also noted that Edward Reuter, the Daimler chairman, last week said the Soviet project has been delayed by a number of uncertainties.

Mr. Taniguchi said Daimler-Benz is also asking that Mitsubishi supply expertise for Daimler's new airplane leasing business.

The other four projects involve cooperation in planned small-truck production in East Germany, sales and assembly of commercial Mercedes-Benz vehicles in Japan, transportation systems development, and semiconductor production and research in aerospace and aircraft technology.

Mitsubishi and Daimler-Benz plan to hold a meeting between top executives in September, Mr. Taniguchi said.

In early March, managers from Daimler-Benz and four Mitsubishi companies held talks in Singapore on cooperation in cars, trucks, electronics, aerospace and services.

The Japanese units are Mitsubishi Corp., Mitsubishi Heavy Industries Ltd., Mitsubishi Motors Corp. and Mitsubishi Electric Corp.

(Reuters, UPI)

Overseas Sales Boost Results At Matsushita

Compiled by Our Staff From Dispatches

TOKYO — Matsushita Electric Industrial Co. said Wednesday its consolidated net profit rose 10.4 percent in the year to March, to 235.6 billion yen (\$1.54 billion).

The world's biggest producer of consumer electronics, better known by its National and Panasonic brand names, said sales grew 9 percent over the previous year's level, to 6,003 million yen.

Matsushita described its performance as "favorable," reflecting active capital investment and steady consumer spending in Japan as well as healthy sales advances in North America and other regions.

The company said overseas sales climbed 14.0 percent, to 2,622 billion yen, while domestic sales were up 5.0 percent, to 3,381 billion yen.

"Concentration on increasing imports into Japan as well as further expanding overseas production on a mutually beneficial basis with the nations around the world has helped to produce the year's positive results," the company said.

(AFP, UPI)

ANZ Shares Gain After Merger Deal Is Blocked

Reuters

SYDNEY — Shares in Australia & New Zealand Banking Group rose sharply Wednesday after Treasurer Paul Keating blocked the bank's planned merger with National Mutual Life Association of Australasia Ltd.

ANZ shares climbed to a high of 4.52 dollars (\$2.82) before easing to 4.50 dollars, up 20 cents on the day. Mr. Keating said the proposed 3.4 billion Australian dollar merger between ANZ and National Mutual was contrary to the national interest.

He said Australia would be served better by keeping the six or seven largest banking and insurance groups separate.

Although ANZ had said it would fund the merger out of internal resources, many investors believed it would need to make an equity issue and news that the deal was off relieved pressure on the share price.

"There was no doubt ANZ would have needed to make a rights issue," said one analyst who did not wish to be named. "The deal would have made its equity base look rather thin."

Craig Drummond, an analyst at the brokerage J.B. Wren, added: "The news took some uncertainty out of the share price in the short term."

Now that the merger was off, ANZ could choose to build its own

insurance business or look at buying some of Australia's smaller banks, Mr. Drummond said.

Spokesmen for ANZ and National Mutual were not immediately available for comment on Mr. Keating's decision.

Also on Wednesday ANZ reported that its half-year net profit rose by 23 percent, to 310.3 million dollars.

Analysis said the figure, which came after an 88 percent rise in provisions for bad and doubtful debt, was at the bottom end of market expectations.

Singapore Broker Issue Greatly Oversubscribed

Reuters

SINGAPORE — A stock offer by G.K. Goh Holdings Ltd. was massively oversubscribed, the underwriters said Wednesday, but there was less interest than in another brokerage house sale this year.

Standard Chartered Merchant Bank Asia said the offer of 45 million shares was 108.1 times oversubscribed. The shares were sold at 1.05 Singapore dollars (\$6.7 U.S. cents). Interest in the first scrippless issue on the main Singapore board was less than that in Kim Eng Holdings Ltd.'s offer earlier this year, which was 784 times oversubscribed.

Wearne Sets Acquisition Of Computer Firm In U.S.

Reuters

SINGAPORE — Wearne Brothers Ltd. said Wednesday that its wholly owned subsidiary, Wearne Technology (Hong Kong) Ltd., had agreed to set up a partnership to acquire the U.S. computer peripherals company Qume Corp.

Under the partnership with Qume's chief executive officer, David Lee, a company called New Qume Corp. will be formed in Delaware, a Wearne statement said.

New Qume will make an offer to acquire Qume shares not already owned by the partners at \$7.25 a share, it said. That is 75 cents a share higher than Qume's price of \$6.50 at the close Tuesday in trading on the U.S. over-the-counter market.

Analysts said the deal was worth a total of \$82 million.

Qume makes and markets a wide variety of computer peripheral products under the trade name of Qume and Data Technology. The company has a sizeable share of the U.S. computer printer market.

The acquisition is the latest step by Wearne, once a Singapore dealer of luxury cars, to transform itself into a major player in the global market for personal computers. Analysts say Wearne is a relatively rare high-tech success story in Singapore, where local private ventures have been traditionally content to trade or make products developed elsewhere.

Wearne said at the completion of the deal it will own 50 percent of New Qume.

Wearne did not disclose the paid-up capital of Qume or the number of its shares presently held by the partners. Wearne officials were not immediately available for comment.

The statement said New Qume will have an initial paid-up capital of \$100,000. New Qume will own all the issued shares in Qume on completion of the proposed acquisition.

Wearne said it will provide financing for the acquisition of Qume via a \$70 million term loan to the partnership. Wearne will raise the loan partly through its internal resources and partly through bank borrowings.

The acquisition of Qume will be subject to the approval of its shareholders and the relevant U.S. authorities.

Despite His Prominence, Questions Linger on Tan's Debt

Reuters

KUALA LUMPUR — When the reclusive former insurance salesman Vincent Tan Choo Yoon began buying financially troubled companies in Malaysia six years ago, analysts paid little attention — and some said he would drown in debt.

Today they have to admire Mr. Tan, 38, who has emerged as one of Malaysia's most talked-about businessmen as head of Inter-Pacific Industrial Group Bhd. The group has more than 1.4 billion ringgit (\$317.6 million) in assets, but debt concerns will not go away.

"Tan is getting attention now, but his debt problems are what we find troublesome," said a foreign stockbroker.

Mr. Tan is one of a new breed of Malaysian businessmen who have shot to prominence through political connections and high-risk takeovers financed heavily by borrowing, analysts say.

His bold corporate raids, which have formed Inter-Pacific's stable of gaming, manufacturing, trading, property and textile concerns, have drawn criticism within local business circles.

Analysts said his heavily leveraged empire makes him vulnerable to any future Malaysian economic slowdown.

And Mr. Tan's close links with Finance Minister Daim Zaidin also expose him to any changes in Malaysia's power structure, they added.

"So far Tan appears to have gained handsomely from his links with Daim, but one can't discount a falling out between the two," said one analyst.

"Tan can blaze the acquisition trail in a bull market on borrowings and shuffling paper," said another analyst. "But these methods have produced few success stories."

Inter-Pacific put total liabilities at the end of April 1989 at 714 million ringgit compared with shareholders' equity of 305 million. Total assets were 1.43 billion ringgit.

The group currently owes banks 600 million ringgit, said the Inter-Pacific managing director Patrick Low.

"We know we have an image problem," Mr. Low said. "People say we are over-gearing, but we think our gearing is fine. Over time, views on our company will change because the bottom line is all that matters."

He said Inter-Pacific has the core assets, which include six other publicly-listed concerns, that will make it one of Malaysia's top companies over the next five years.

Financial services, which include Inter-Pacific's insurance and stockbrokerage holdings, will feature prominently in the group's five-year expansion program, while gaming and trading would remain the main source of income, Mr. Low said.

Mr. Tan started out as a bank clerk who sold insurance at night, and entered the corporate fray in 1981 when he won the Malaysian franchise for McDonald's Corp.

His big break came in 1984 when he bought a 37 percent stake in Berjaya Corp., a steel wire producer that is at the heart of its complex cross-shareholdings. Inter-Pacific now owns 57 percent of Berjaya.

Through Berjaya, Mr. Tan acquired 48 percent of Regnis Sdn., the local distributor of Singer products. Berjaya now holds 52 percent of Regnis, which has since been renamed Singer (Malaysia) Sdn., and is poised to be listed later this year.

Mr. Tan's most controversial coup was in 1985, when he purchased a 52 percent stake in Sports Toto, a lucrative betting concern, from the government.

The sale of Sports Toto, which had a turnover of 215 million ringgit in the year to April 30, 1989, sparked allegations that Mr.

Tan was benefiting from links with Mr. Daim, a former businessman.

The allegations arose again when, after Mr. Tan took over debt-ridden Raseigh Bhd., a bicycle manufacturer controlled by Mr. Daim at that time.

Mr. Tan renamed the firm Inter-Pacific and made it the holding company of his fast-growing group.

While Mr. Tan's political links stir uneasiness among analysts, they acknowledge that he and his team of executives have shown good management skills.

Analysts estimated that Inter-Pacific would announce pretax profit of more than 80 million ringgit in the year ended April 30.

The company posted pretax profit of 41.1 million ringgit for the 15 months ended April 1989, against a loss of 521,000 ringgit in the 12 months ended January 1988.

Pretax profit at Sports Toto, the group's main money spinner, rose to 25 million ringgit in the year ended April 1989, up 20 percent.

With Mr. Daim's approval, Mr. Tan recently bought a 23.52 percent stake in another lucrative gaming, property and financial concern, Magnum Corp., which is controlled by rival Multi-Purpose Holdings Bhd.

Investor's Asia

Hong Kong Hang Seng	Singapore Straits Times	Tokyo Nikkei 225
3200	1550	40000
2500	1500	38000
2000	1450	36000
1500	1400	34000
1000	1350	32000
500	1300	30000
0	1250	28000
Exchange	Index	Wednesday/Prev. Close
Hong Kong	Hang Seng	3028.31 2970.87 +1.33
Singapore	Straits Times	1572.95 1578.59 -0.36
Sydney	All Ordinaries	1473.90 1485.40 +0.59
Tokyo	Nikkei 225	32176.51 31938.30 +0.75
Kuala Lumpur	Composite	583.63 581.39 +0.39
Bangkok	Book Club	849.20 852.31 -0.36
Seoul	Composite Stock	787.91 785.93 +0.25
Taipei	Weighted Price	7014.40 6720.32 +4.38
Manila	Composite	878.36 908.00 -3.26
New Zealand	Barclays	1739.38 1734.79 +0.26
Bombay	National Index	424.47 421.16 +0.79

Sources: Reuters, AFP International Herald Tribune

Taiwan's Stock Market Rebounds After Plunge

International Herald Tribune

Taiwan's stock market on Wednesday reversed its 4-day plunge, quieting rumors that the government is considering opening share trading to foreigners to help support prices.

The Taipei Weighted Index closed 294.08 points higher at 7,014.40, a gain of 4.3 percent. The index had lost nearly half of its value since it reached a record high of 12,682 on Feb. 12, and has suffered 18 percent of those losses in the last week.

The Taiwan dollar continued to weaken, however, despite efforts by the Central Bank to brake the slide. The Taiwan unit fell to 27.50 per U.S. dollar from 27.49 on Tuesday.

Analysts said Wednesday's rebound could suggest a short-term bottom at the 6,000 level, although few market watchers are bold enough to apply technical analysis to Taiwan's volatile stock market. "I think we've seen the worst of it," said John Engle, president of Hoare Govett Taiwan. "If not, it won't be long before we see 6,100 to 6,300."

Australian Firm Bought in Singapore

Compiled by Our Staff From Dispatches

SINGAPORE — The listed property company First Capital Corp. said Wednesday it had agreed to acquire Jarden Morgan Holdings Ltd. of Australia.

The parent of Jarden Morgan Holdings is the New Zealand stockbroker, Jarden Morgan Ltd. It had agreed to sell the wholly-owned Australian subsidiary subject to approval by the relevant Australian and Singapore authorities. First Capital said in a state-

ment. The deal may not be completed until August, according to John Benton, director of Jarden Morgan.

Jarden Morgan Holdings has subsidiaries in Australia and an associated company in Singapore that are principally involved in stockbroking and real estate. The asse. Jarden company in Singapore is Paul Morgan and Associates (Securities) Ltd., in which Jarden Morgan Holdings owns 49 percent. (Reuters, AFP)

NASDAQ

Wednesday's Prices
NASDAQ prices as of 4 p.m. New York time. This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Stock	High	Low	Open	Close	Change
IBM	155 1/4	154 3/4	155 1/4	154 3/4	-1/4
Microsoft	68 1/2	67 1/2	68 1/2	67 1/2	-1/2
Apple	45 1/4	44 3/4	45 1/4	44 3/4	-1/4
Oracle	35 1/4	34 3/4	35 1/4	34 3/4	-1/4
Sun	25 1/4	24 3/4	25 1/4	24 3/4	-1/4
Intel	15 1/4	14 3/4	15 1/4	14 3/4	-1/4
AMD	12 1/4	11 3/4	12 1/4	11 3/4	-1/4
Motorola	10 1/4	9 3/4	10 1/4	9 3/4	-1/4
TI	8 1/4	7 3/4	8 1/4	7 3/4	-1/4
Qualcomm	7 1/4	6 3/4	7 1/4	6 3/4	-1/4
Lucent	6 1/4	5 3/4	6 1/4	5 3/4	-1/4
3Com	5 1/4	4 3/4	5 1/4	4 3/4	-1/4
PerkinElmer	4 1/4	3 3/4	4 1/4	3 3/4	-1/4
GenCorp	3 1/4	2 3/4	3 1/4	2 3/4	-1/4
Eastman	2 1/4	1 3/4	2 1/4	1 3/4	-1/4
Amgen	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Novartis	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Roche	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Schering	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Glaxo	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Novo	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Boehringer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Merck	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Bayer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Abbott	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Pfizer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Amgen	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Novartis	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Roche	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
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Pfizer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
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Schering	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Glaxo	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Novo	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Boehringer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Merck	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Bayer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Abbott	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Pfizer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
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Novo	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Boehringer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Merck	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Bayer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Abbott	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Pfizer	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Amgen	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Novartis	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Roche	1 1/4	1 3/4	1 1/4	1 3/4	+1/4
Schering	1 1/4	1 3/4	1 1/4	1 3/4	+1/4

SPORTS

Jordan Hampered, Pistons Toy With Bulls for 2-0 Lead

By Ken Denlinger
Washington Post Service

AUBURN HILLS, Michigan — For a team that is supposed to be the nastiest in all of basketball, the Detroit Pistons were remarkably kind, frittering away a chance to bury the Chicago Bulls early.

But then they recovered for a 102-93 victory Tuesday night and a 2-0

NBA PLAYOFFS

lead in the best-of-seven Eastern Conference finals of the National Basketball Association's playoffs.

About 30 minutes, or slightly more than two periods, of superb play was enough for the defending champions to win. Most critical was holding Michael Jordan without a field goal the final 19 minutes.

Of paramount concern before tipoff was how well Jordan, who finished with 20 points, would play with the hip injury early in Sunday's game.

At the half, he had something highly unusual for him: a triple-double.

But Jordan also played with a swollen right wrist. Phil Jackson, the Bulls' coach, said the wrist had

been injured in the fall that bruised his hip.

"He was not shooting the ball well," Jackson said, adding that "the ball didn't have good rotation. It didn't have that snap. It looked more like a shot-put than a shot."

Early on, the Detroit machine had every piston humming. The Pistons scored the opening four points and 19 of the first 24. Guard Joe Dumars, who got 31 points, sank two open jumpers from the left corner and a three-point shot.

The much taller Scottie Pippen came hurtling toward Dumars on the three-point shot, but that was just one of several maneuvers by the Bulls that proved futile.

Chicago substitutions also failed. Reserve center Will Perdue, on a drive, missed everything with a memorably awkward left-handed hook. Guard B.J. Armstrong made his first two shots, then missed his next two and had the third blocked.

The ultimate indignity for Jordan was his being felled by Detroit's seldom-used Scott Hastings midway through the second quarter.

One instant Jordan was dribbling under pressure near half court; the next, Hastings had flicked the ball away and was headed, all alone, toward a layup.

Almost any other player would have had a dunk. But there is nothing in the 6-foot, 10-inch (2.08-meter) Hastings that suggests haste — and the embarrassed Jordan caught up, to smack the ball out of bounds before a shot was possible.

So it went until about halfway through the second quarter. The Pistons bunched their scoring and balanced stellar play; the Bulls could do little right.

"We got complacent," the Pistons' coach, Chuck Daly, said. "The challenge wasn't there."

Slowly, though, the Pistons regressed into selfish play and missed what good shots they took. The half ended with them ahead by 53-38.

The Bulls then went on a roll that turned the 15-point deficit into a one-point lead in about 8½ minutes. Jordan was mainly responsible for this outburst, either scoring on a variety of turnarounds and drives or feeding forward Horace Grant for close-in baskets.

Jordan's jumper with 5:08 left in the third quarter pulled the Bulls to



Mark Humphrey/The Associated Press

For Michael Jordan it was a painful game, made more so in the first quarter when he tried bulging by the Pistons' Dennis Rodman.

61-60. But it proved to be his final field goal and, uncharacteristically, he left the dressing room before reporters were admitted.

"I've never seen Michael that upset," Grant said. "He didn't mention names. He was just so disappointed. I can't blame him, some guys don't know what the playoffs are all about. The guys know who they are. They've got to step up. They've got to get more physical."

Grant may be referring to guard Vinny Johnson's eight rebounds, three more than the total

of Chicago inside players Bill Cartwright and Stacey King.

After Jordan scored, Chicago soon took a three-point lead on Craig Hodges' three-pointer. And that seemed to trigger a get-serious attitude for the Pistons, who scored five straight points and kept at least a five-point advantage the rest of the way.

And, just to keep their reputation, center James Edwards was ejected for slapping Ed Neely after a hard foul early in the last quarter.

AC Milan Halts Benfica, 1-0, To Retain the Champions' Cup

VIENNA — AC Milan, repeating its triumph of last year, won the European Champions' Cup on Wednesday by defeating Benfica of Lisbon, 1-0, in the soccer cup's final at Prater stadium here.

The winning goal for Milan was scored by Dutch midfielder Frank Rijkaard in the 68th minute when he took an ideal pass from Marco van Basten.

The result completed a triple soccer triumph for Italy, as Milan joined Cup Winners' Cup titlist Sampdoria and UEFA Cup winner Juventus on this year's honor roll of European soccer. No other country has won all three trophies in the same season.

In helping Milan win the Champions' Cup for the fourth time, Rijkaard charged toward the goal, flicked the ball from one foot to another and found the gap on the left past the Benfica goalkeeper, Silvano Louso.

The first half provided few scoring chances. Both sides struggled to penetrate each other's defense. Rudi Gullit, the Milan star who was sidelined for 11 months with a knee injury, returned to action and played the full 90 minutes of the match.

The Milan trainer, Arrigo Sacchi, had said he hoped he could count on Gullit and the forward did not let him down. In the style that has made him one of Europe's most popular players, Gullit continually worried the Benfica defense.

Benfica played its best during the first half and held off a strong Milan challenge. In the closing minutes, Louso blocked two attempts to score.

The second half belonged to Milan and especially to Rijkaard and Gullit. Just after the second half began, Gullit twice powered through midfield, outturning the opposition only to be outfoxed by Louso at the goal.

In the 60th minute Rijkaard narrowly missed from a free kick when he shot wide of the post.

Attack in Florence Foiled
The police said Wednesday that fans of the soccer club Fiorentina, angered by its decision to sell star forward Roberto Baggio, intended to firebomb the nearby training camp of Italy's World Cup squad before plans for the attack were discovered. The Associated Press and Reuters reported.

The training center of Coverciano, where Italian players are preparing for the world competition, remained barred to the public Wednesday while armed police and armored trucks patrolled the area.

A police officer, who spoke under condition of anonymity, said the plans for a raid on Coverciano were discovered during the questioning of fans taken into custody after an attack on the headquarters of the Fiorentina club.

"A raid against Coverciano had been planned after the attack against the club," the officer said. "Many rioters had firebombs."

Police said a molotov cocktail had been found after rioting by about 50 soccer hooligans outside the training camp in Florence on Friday night.

The hooligans in Florence are Italy's most notorious. They rioted in Florence as well as outside Coverciano on Friday after Fiorentina announced the world record \$13 million transfer of Baggio, the 23-year-old forward of the national team, to the rival team Juventus of Turin.

SIDELINES

Bike Race Delayed By Drug Protest

TERAMO, Italy (AP) — Riders in the Tour of Italy bicycle race delayed the start of Wednesday's sixth stage and threatened a boycott of Saturday's race unless Dutchman who has failed a dope test is banned for two years.

The riders obeyed a call from the International Association of Professional Cyclists Group, comprising the top cycling teams, for a symbolic strike lasting several minutes.

It wants Gerr-Jan Theunissen, banned two years as a second offense, for failing a dope test of Belgium's Flecha Wollume "last month. He had already failed a test in the Tour of France, but claims he was not notified officially of that result and so should only get a three-month suspension for a first offense."

Vincent Says the Orioles Won't Block New Team

WASHINGTON (AP) — The Baltimore Orioles will not block Washington from gaining a major league baseball expansion franchise, according to the commissioner, Fay Vincent.

"Baltimore has taken the position formally that they have no position on expansion," Vincent said Tuesday, "that they are not going to oppose it and they are not going to support it."

Vincent also said there is no truth to speculation that St. Petersburg, Florida, and Denver are the leading candidates for the two National League expansion franchises that are to begin play in 1993 or 1994. He said NL owners have neither set the criteria by which interested cities will be judged nor begun the formal application process.

For the Record

Lawrence Taylor of the New York Giants, who came more than any other linebacker in pro football history, wants to become the first NFL defensive player to make \$1 million a year and said he will not report to the Giants this season until he gets it. (NYT)

Tim Mayotte of the United States, ranked 15th in the world, has pulled out of the French Open because of knee problems. (AP)

Virgil Hix will make a ninth defense of his WBA light heavyweight title against fellow American Tyrone Frazier on July 7 in Bismarck, North Dakota. (AP)

BOOKS

THE SEARCH FOR MODERN CHINA

By Jonathan D. Spence. Illustrated. 876 pages. \$29.95. W. W. Norton & Co., 500 Fifth Avenue, New York, N.Y. 10110.

Reviewed by Christopher Lehmann-Haupt

WHY is the behavior of China so bewildering? Jonathan D. Spence addresses this question on almost every page of his monumental new history, "The Search for Modern China."

He confronts it early when, on the first page of his preface, he refers to "the swings" of China's "political life, the switches in its cultural moods, the lurches in its economy" and "the fact that its stated hostility to foreign influences is so often accompanied by the flashes of a welcoming smile."

And he addresses the question late, when he defines the Chinese people's own sense of bewilderment by quoting, with typical aptness, the "Not-Not Manifesto" proclaimed in Chengdu, Sichuan, on May 4, 1986, as a response to the absurdity of contemporary politics: "After deconstructing the relationship between man and objects to their pre-tural state, there is nothing in this universe that is not Not-Not. Not-Not is not the negation of anything. It is only an

expression of itself. Not-Not is aware that liberation exists in the indefinite."

Spence undertakes to ally this bewilderment by telling the story of China's last 400 years. He begins just past the height of the glorious Ming dynasty, when a failing economy and an unraveling social fabric left China vulnerable to invasion by Manchus from the north. He ends with the bloody events of June 1989, when Deng Xiaoping called in troops to clear student protesters from Tiananmen Square in Beijing.

In between, he narrates history that is always lively, always concrete, always comprehensible, no matter how complex the issue. A history professor at Yale, Spence seems completely at home with his subject.

He has the facility to make readers feel as if they are finally getting the precise missing details, whether they concern the introduction of the opium, or queue, and shaved forehead to Chinese culture (the conquering Manchus imposed it as a sign of loyalty in the 17th century so they could identify their enemies in combat), or why the opium wars were fought between China and Britain from 1839 to 1842, or how Mao's Communists broke loose from the blockade by Chiang Kai-shek's Nationalists to start the 6,000-mile long march to a northern sanctuary in October 1934.

Yet if you are bewildered by Chinese history, there is a discouraging sense of repetition about Spence's narrative. You read of an 18th-century anti-im-

perial plot and the response of the emperor to prove his legitimacy — he wrote a rebuttal of the rebel's charges that every holder of a state examination degree was required to read — and you get a sense that nothing has ever changed.

Or you read of Hegel lecturing on China in the early 1820s and consigning the Chinese permanently to their space outside the development of the world spirit, and you think of Richard Nixon insisting 150 years later that China must be brought into the mainstream of world events.

Or you read of how Daoguang, the sixth emperor of the Qing dynasty, responded to the increasing quantities of opium that Britain and the United States were selling to his people in the 1830s. His advisers debated what to do. Some advocated legalization. Daoguang declared a war on drugs that led to China's defeat by the British and the Treaty of Nanjing (1842), which opened China to the West and gave the British their foothold at Hong Kong.

Throughout the last four centuries China seems to have been torn between looking inward and putting on a face for the outside world.

China's leaders have forever struggled to define their moral legitimacy. What eventually dawned on the reader is that the search for modern China is the same as the search for China's past.

Christopher Lehmann-Haupt is on the staff of The New York Times.

BRIDGE

By Alan Truscott

FRANCE and the United States have frequently battled in world championships, and there have also been some semiformal encounters, such as the one last week in Memphis. The Americans built up a commanding lead of 37 to 0, but the French struck back. They gained 12 imps when an American slam hit a bad break, and another 11 on the diagrammed deal. France's Paul Chemla opened the South hand, which most modern players would pass because of the rebid problem but which most would have bid in Culbertson's day because it has two-and-a-half honor tricks. His partner, Omar Sharif, then pushed him to an aggressive six-trick contract and he received a club lead. After winning in dummy, Chemla crossed to the heart queen and led his singleton diamond. This gave Seymour Deutsch as West a choice of losing options. If he had put up his ace South would have been able to maneuver a diamond ruff and eventually use that suit to discard all his spade losers. He chose to play low, and when dummy's queen won a diamond ruff, a low spade was led, and West put up his king and led a second club to the dummy's king. The spade queen was cashed, a diamond ruff brought down the ace, and trumps were drawn to make the slam. The Americans not unreasonably tested in game, and their lead shrank to 13 points. But they held on to win by exactly that margin.

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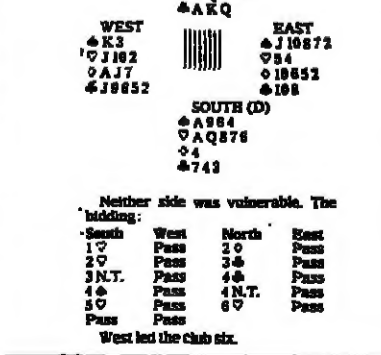
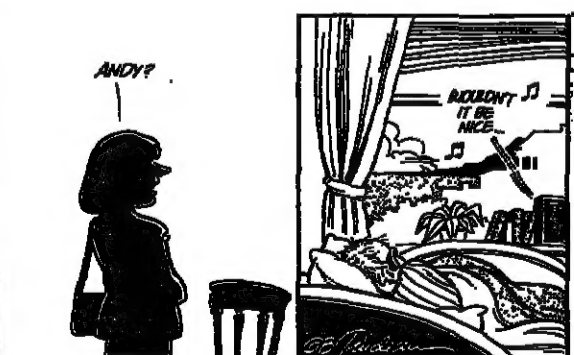
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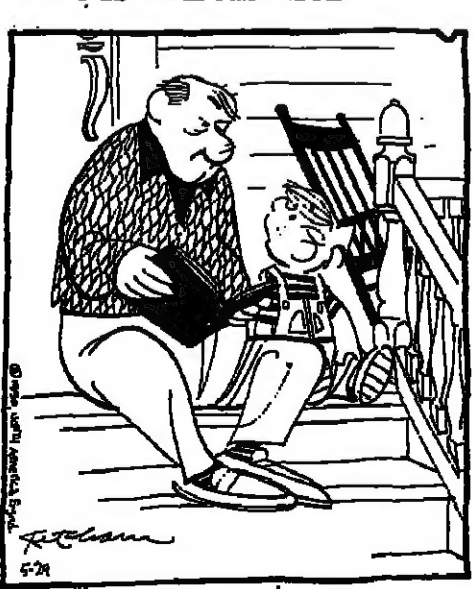
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DOONESBURY



DENNIS THE MENACE



JUMBLE

Unscramble these four Jumble words. One letter to each square, to form four ordinary words.

LOUFT

DULEE

SORABB

PAWNEO

Answer here: _____

Yesterday's Jumble: PROBE DELVE ALISON MUTTON

Answer: She's no longer stand for being painted — A TIRED MODEL

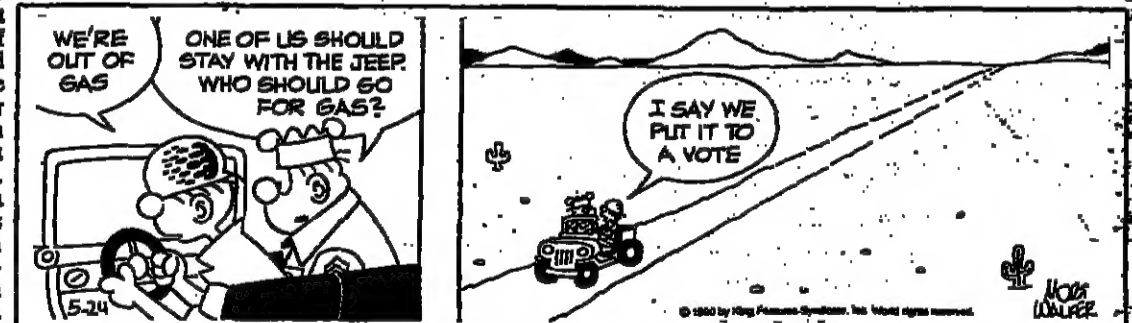
BLONDIE



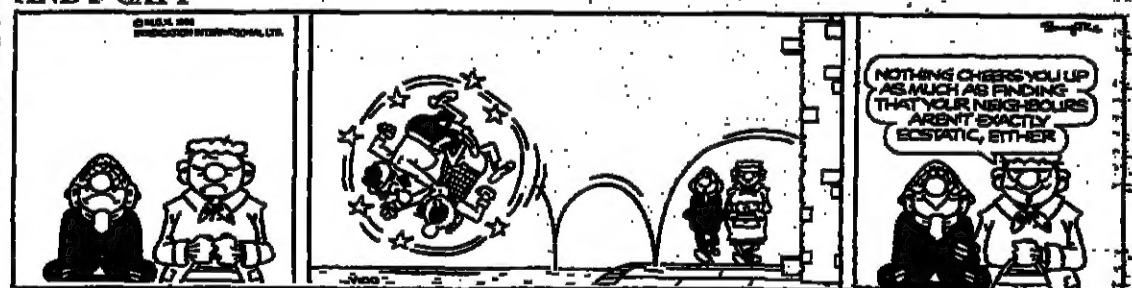
PEANUTS



BEEBLE BAILEY



ANDY CAPP



WIZARD of ID



REX MORGAN



GARFIELD



هكذا من الدحل

SPORTS

The Indomitable Rock, Graziano, Dies

By Phil Berger
New York Times Service

NEW YORK — Rocky Graziano, the indomitable middleweight boxing champion with the fractured grammar, whose life was turned into a movie, died of cardiopulmonary failure Tuesday night at New York Hospital. He was 71.

"Graziano had suffered a stroke before being hospitalized on April 8, said Diana Goldin, public affairs director for the hospital.

In the ring, Graziano did not trouble himself much with defense, but he had a taste for battle that made him a legend.

"He was not a great fighter," Harry Markson, the former president of Madison Square Garden Boxing, said recently, "but he was a good puncher and a tremendous competitor. He could knock you out with either hand. And when you knocked him down, he always got up. He put on a good show."

As W.C. Heinz, a reporter who covered Graziano for The New York Sun, put it in an interview: "You could lose Rocky up if you wanted him to jab and move. So what you did was get him in shape and turn him loose."

With his brawling style, Graziano compiled a record of 67-10-6 from 1942 to 1952. His three bouts with Tony Zale in the years after World War II are considered classics of brutal action.

Zale knocked out Graziano in six rounds in September 1946, their first bout. But the next time they fought, in July 1947, Graziano won from the canvas and knocked out Zale in six rounds to become world middleweight champion.

"Afterward," Heinz said, "he told the press: 'I wanted to kill him. I like him but I wanted to kill him.' Which is so true of the fight instinct."

Graziano lost his second rematch with Zale in June 1948 on a third-round knockout.

He would get one more shot at the middleweight title, but that came very late in his career, in April 1952, when Sugar Ray Robinson knocked him out in three rounds.

After Graziano lost his next match, a 10-round decision to Chuck Dawes, he retired. He was elected to the Boxing Hall of Fame in 1971.

Born Thomas Rocco Barbona, Graziano grew up on the Lower East Side of Manhattan, the son of a former boxer nicknamed Fighting Nick Bob.

Like his childhood friend, Jake LaMotta, who would also become middleweight champion of the world, the young Graziano frequently came into conflict with the law.

"We were the original juvenile delinquents," said LaMotta. "Always in fights. Stealing stuff. In fact, we both ended up in reform school in Coxsack, New York, at the same time. I remember Rocky was in quarantine, so I'd see him up with comic books and candy and cigarettes."

Graziano was proud of his ability as a street brawler. "I was the best street fighter in history when I was growing up on the Lower East Side," he said. "Hell, I never lost a street fight. Never. I thought I could lick Jack Dempsey or Joe Louis or anybody. I was fantastic."

Graziano often made himself and his delinquent childhood the butt of jokes.

"I quit school in the sixth grade because of pneumonia," he once said. "Not because I had it, but because I couldn't spell it. We stole everything that began with an 'a'—a

piece of fruit, a bicycle, a watch, anything that was not nailed down."

"It took me nine years to get through the fourth grade. When I got into television commercials, I had to take a crash course in reading. I was 32 years old and I couldn't read the cue cards."

At age 12, he was arrested for the first time, caught breaking into a subway gun machine. While on probation, he stole a bicycle and was sent for the first of three times to reform school.

In 1939, a friend, Jack Healy, took him to New York's famous Stillman's Gym to see if he could put his street fighting instincts to use in the ring.

When a seasoned pro named Antonio Fernandez beat him up, he swore he would never box again. Two months later, however, he was back in the ring, this time fighting under the name of his sister's boyfriend, Rocky Graziano.

He won the Metropolitan Amateur Athletic Union welterweight championship.

"The AAU gave me a medal, which I hooked for \$15," Graziano recalled years later. "Maybe this is not so bad a racket after all. I think I will give this a shake."

Graziano later served nine months in prison for going AWOL from the army. His defection, which grew out of an argument with a superior officer, led to a dishonorable discharge.

"As Rocky told it to me," said Heinz, "this captain came from behind his desk and said something like, 'You think you're so tough? And when the captain started to remove his jacket, Rocky hit him. He said: 'What was I supposed to do? I belted him, now, and flattened him and took off.'"

Graziano came to be a figure beloved by the fight crowd



Graziano training in 1945 for his first title bout with Tony Zale: "The AAU gave me a medal, which I hooked for \$15. Maybe this is not so bad a racket after all, I think. I will give this a shake."

The Associated Press

and the public. That popularity owed as much to the good humor he showed outside the ring as to the savagery he displayed between the ropes.

"He was a natural comedian," said LaMotta. "Anything he said cracked you up. It's why he was so popular so many years. Everybody loved him 'cause he was such a nice person."

He wrote an autobiographical work titled, "Somebody Up There Likes Me," that in 1956 was made into a movie starring Paul Newman.

Later, Graziano caught on as an entertainer, his first major role that of the boyfriend of the comedienne Martha Raye on her television show in the 1950s.

Graziano's version of how he landed the role was self-deprecating.

"He told me," said Heinz, "the producers were sitting around and one of them said why not get a stupid guy like Rocky Graziano? And then one of them said, 'Let's get Graziano.' In fact, though, his personality was so lively that he turned out to be quite good at it. There was a genuine openness about the guy that everybody liked."

Graziano was unchanged by his success as an entertainer. He retained his rough-edged speech down to the "dems" and "dese," as LaMotta put it, and never put on fancy airs.

He remained the Rock, ever the loveable rogue.

Oilers Beat Bruins, 5-1, Need 1 Victory to Win 5th NHL Title in 7 Years

By Robert Facht

Washington Post Service

EDMONTON, Alberta — The Edmonton Oilers made it look easy as they moved to within one game of winning a fifth Stanley Cup.

Wingers Glenn Anderson and Craig Simpson each got two goals and two assists as the Oilers beat the Boston Bruins, 5-1, Tuesday.

STANLEY CUP

night to take a 3-1 lead in the best-of-seven National Hockey League final. Their center, Mark Messier, had three assists and took over the play after leading with 30 points.

The fifth game will be in Boston on Thursday night. Although Edmonton has won the Stanley Cup four times in the last six years, it has never done so on the road.

"I like our position," said the Oilers' coach, John Muckler. "We're in the driver's seat again."

Messier had been ineffective in the first three games that slicker spread that he was injured, sick or at odds with Muckler. But he and his linemates proved that nothing was wrong that some hard work wouldn't cure.

"We knew we had to start contributing," Messier said.

Boston center Bob Carpenter helped ease the Oilers' path too. He bumped goalie Bill Ranford and was penalized for interference after just 24 seconds. When Anderson scored on the power play, the Oilers were off and running, continuing a sequence in which the first team to score has won every game of this series.

The speedy Oilers exploited the lack of mobility on the Boston defense to set up quality chances against goalie Andy Moog, who compounded his problems by dropping a shot by Esa Tikkanen that made the score 4-0.

Ranford stopped 24 shots and it took a crazy bounce off the boards for John Carter to score the goal that ruined the shutout with 4:38 left. It was the Bruins' first goal in 99 minutes 53 seconds; they have been outscored, 16-7, in the series.

On the opening power play, Simpson made defenseman Don Sweeney look like a practice pylon as he skated right past him to create a two-on-one with Anderson against Garry Galley. When Galley moved to cut off a return pass, Anderson faked out Moog and carried the puck right into the net.

Boston captain Ray Bourque, who had a rare bad night, lost the puck to Simpson in the corner at Moog's right to set up Anderson's second goal. Simpson passed to Messier behind the goal line and he relayed it to Anderson, who went top shelf from the slot with 3:35 left in the first period.

Eight seconds after a penalty to Boston defenseman Greg Hawgood ended and one minute into the second period, Simpson made it 3-0. Bourque was caught up ice and Simpson finished off a two-on-one with Messier against Sweeney.

Moog dropped Tikkanen's innocent-looking shot with 45 seconds remaining in the second period.

After Carter scored on one of the few bad bounces for the Oilers, Simpson got the last goal on a rebound of a shot by Anderson.



Jose Canseco, greeted by Walt Weiss, had hit a grand slam that helped the A's beat the Blue Jays.

Digging Up Worms, Boy Finds Rare Card

The Associated Press

PITTSFIELD, Maine — They were digging for worms, but three boys came up with pay dirt when they found what appears to be a rare Honus Wagner baseball card dating back to the early 1900s.

The card featuring the Pittsburgh Pirates' Hall of Fame shortstop, also known as "The Flying Dutchman," was found dry and in good condition, the colors still bright and the corners neat and square, said Arlo Quint, 12.

The boys raced to a collectors' shop and compared the card against a reprint. It appears to be genuine, the boy said Tuesday.

A Wagner card "in real good shape" is worth \$100,000, said Brad Shaw, a card expert from nearby Augusta.

Quint said he probably will sell the card and

share the profits with his family and Chris Deck and Eric Love, both 13, who were looking for fishing worms with Quint when he unearthed a small, bent tooth-powder can that also contained three other cards.

"I can't believe it," said Quint, who found the card Monday.

The card he discovered was thought to have been distributed in 1909 by the Piedmont Tobacco Co.

Wagner, a teetotaler who did not smoke, demanded that the tobacco company cease publishing his card because, he said, it implied an endorsement. Shaw said no more than 50 Wagner cards remain intact.

Coincidentally, another Wagner card was discovered about 30 miles (48 kilometers) away in Stockton Springs about a month ago.

Dawson Walked Record 5 Times As Cubs Beat Reds in 16 Innings

Compiled by Our Staff From Dispatches

For a low-scoring game, the Cincinnati Reds and the Chicago Cubs put up some big numbers: 16 innings, a record-tying seven intentional walks, a record-setting five walks to Andre Dawson, 41 players, 26 strikeouts and one very happy manager.

"I'm tickled to death," Don Zimmer said after his Cubs edged the Reds, 2-1, in the 4½-hour game Tuesday in Chicago.

Ryne Sandberg singled off Scott Snodgrass, the Reds' seventh pitcher, with one out in the 16th and went to third when Mark Grace's grounder went through shortstop Luis Quiroga's legs for an error.

That brought up Dawson, who leads the National League with 13 home runs and 41 runs batted in.

The decision was easy. "He just came up in situations all the time when there was an open base," said the Reds' manager, Lou Piniella.

But that brought up Dave Clark, who singled in Sandberg.

Dawson's five intentional walks broke the mark of four set by Roger Maris of the New York Yankees on May 22, 1962, and equaled by Garry Templeton of San Diego on July 5, 1985. The Reds tied a major-league record by issuing seven intentional walks.

After the last intentional walk, Dawson glared at Piniella, sitting in the dugout.

"He looked at me, I smiled and said, 'It's not my fault. The guys in front of you are getting on,'" Piniella said.

Chris Sabo had ended the scoreless tie with a home run in the 13th inning, but Luis Salazar homered in the bottom of the 13th.

Chicago's Mike Bielecki pitched 10 innings, yielding five hits while striking out eight. Cincinnati's Tom Browning went nine innings, giving up six hits and three intentional walks while striking out four.

Pirates 6, Astros 4: In Houston, Barry Bonds hit his first grand slam in two days.

Angels 8, Indians 3: Wally Joyner homered for California and drove in four runs in Cleveland. He hit a two-run homer in the fifth and was robbed of another home run in the eighth when right fielder Cory Snyder reached over the fence to make a catch. Joyner, who had three hits, and Johnny Ray each had two-run singles in the ninth.

Yankees 5, White Sox 2: In New York, Bob Geren ended a 2-for-29 slump with a three-run homer in a game interrupted by a lively debate between Chicago veteran Carlton Fisk and Yankee rookie Deion Sanders.

Fisk and Sanders got into an argument at the plate at the start of the sixth inning. Both benches and bullpens emptied, but as more than 50 players and coaches milled around home plate, they appeared to have nothing to do.

Rangers 5, Red Sox 4: Jack Daugherty got four hits for Texas and Bobby Witt, a schoolboy star in the Boston area, won his first game at Fenway Park.

The Red Sox, trailing by 5-3 in the ninth, scored on doubles by Wade Boggs and Tom Brunansky but Jeff Russell struck out Tony Pena with the bases loaded to end the game.

Brewers 3, Mariners 2: Pinch-hitter Billy Spiering singled home the winning run against Seattle with one out in the bottom of the ninth in Milwaukee.

Royals 9, Tigers 8: In Detroit, Danny Tartabull's two-run homer capped a five-run seventh that enabled Kansas City to end the Tigers' seven-game winning streak.

Jack Morris blew a 6-3 lead and lost his fifth straight. (AP, UP)

Baseball Roundup

in the majors in the third and Jay Bell tripled in three runs an inning later to help Pittsburgh's Neal Heaton win his seventh game this year.

Phillies 4, Giants 2: Ken Howell gave up only three hits in seven innings in San Francisco and Len Dykstra doubled twice and drove in a run for Philadelphia.

The Phillies scored three runs in the fifth against Rick Reuschel. Dickie Thon and Darren Daulton had RBI singles and Dykstra a run-scoring double.

Expos 6, Padres 1: Tim Lincecum homered and drove in four runs while rookie Mark Gardner held San Diego to one run and four hits in seven innings in Montreal. Wallach hit a three-run homer off Ed Whitson in the first inning.

Mets 8, Dodgers 3: In Los Angeles, Mike Marshall batted his former team with a grand slam and six RBI for New York. Bob Ojeda, who allowed a run and four hits in six innings, got his first victory this season.

Cardinals 4, Braves 3: Jose DeLeon scattered four hits in eight innings and drove in two runs for St. Louis while Terry Pendleton also had two RBI in Atlanta. DeLeon walked two and struck out 10. The Cardinals scored the decisive run in the seventh on doubles by Ozzie Smith and Pendleton.

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

Team	W	L	Pct.	GB
Atlanta Braves	27	14	.657	0
Boston Red Sox	27	14	.657	0
Toronto Blue Jays	27	14	.657	0
Chicago White Sox	27	14	.657	0
Minnesota Twins	27	14	.657	0
Seattle Mariners	27	14	.657	0
San Diego Padres	27	14	.657	0
St. Louis Cardinals	27	14	.657	0
Los Angeles Angels	27	14	.657	0

West Division

Team	W	L	Pct.	GB
Oakland Athletics	27	14	.657	0
Chicago White Sox	27	14	.657	0
Minnesota Twins	27	14	.657	0
Seattle Mariners	27	14	.657	0
San Diego Padres	27	14	.657	0
St. Louis Cardinals	27	14	.657	0
Los Angeles Angels	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0

NATIONAL LEAGUE

East Division

Team	W	L	Pct.	GB
Pittsburgh Pirates	27	14	.657	0
Philadelphia Phillies	27	14	.657	0
Atlanta Braves	27	14	.657	0
New York Mets	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Diego Padres	27	14	.657	0
St. Louis Cardinals	27	14	.657	0
Los Angeles Angels	27	14	.657	0

West Division

Team	W	L	Pct.	GB
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0

Tuesday's Line Scores

AMERICAN LEAGUE

Team	W	L	Pct.	GB
Seattle Mariners	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0

NATIONAL LEAGUE

Team	W	L	Pct.	GB
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0

BASKETBALL

NBA Conference Finals

Eastern Conference

Team	W	L	Pct.	GB
Atlanta Braves	27	14	.657	0
Boston Red Sox	27	14	.657	0
Toronto Blue Jays	27	14	.657	0
Chicago White Sox	27	14	.657	0
Minnesota Twins	27	14	.657	0
Seattle Mariners	27	14	.657	0
San Diego Padres	27	14	.657	0
St. Louis Cardinals	27	14	.657	0
Los Angeles Angels	27	14	.657	0

Western Conference

Team	W	L	Pct.	GB
Oakland Athletics	27	14	.657	0
Chicago White Sox	27	14	.657	0
Minnesota Twins	27	14	.657	0
Seattle Mariners	27	14	.657	0
San Diego Padres	27	14	.657	0
St. Louis Cardinals	27	14	.657	0
Los Angeles Angels	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0

HOCKEY

Stanley Cup Finals

Team	W	L	Pct.	GB
Seattle Mariners	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0
Los Angeles Angels	27	14	.657	0
San Diego Padres	27	14	.657	0
Los Angeles Dodgers	27	14	.657	0
San Francisco Giants	27	14	.657	0

TENNIS

WORLD TEAM CUP

Philadelphia	666 636 661—4 11 8
San Francisco	666 662 666—2 4 8
Howell L. Corman (8), Parrott (10), McDowell	

ART BUCHWALD

The S&Ls: Whodidit?

WASHINGTON — "There's something missing from the S&L scandal," Tom Jolly told me. "What's that?"

"There are no names. How can people scoop up \$500 billion and we don't even know who they are?"

"What about Charles Keating? He's a name."

"He's not a household name like the guys in Watergate. At least with Watergate we knew who did it to us. I think that the rule should be if someone walks away with more than \$100 billion, the public ought to be told who he is."

"You can't compare Watergate with the S&L scandals."

"Why not?" Tom asked.

"Because Watergate was a crime of passion. The S&L rip-off was a combination of ignorance and greed."

"That's why there are no S&L names. You don't think that Nixon, Haldeman, Ehrlichman or Colson would steal the savings of widows and orphans, do you?"

"What about the five senators who made life easy for Charles Keating when the feds were after him?" he asked.

"They're small potatoes and don't belong in the same league with the men and women who sank 500 of the biggest S&Ls in the country. Your problem is that you

are looking for someone to hate because you and every other American are being stuck with the tab. "It's true that a good deal of the \$500 billion went to S&L executives for wine, women and lawyers. But you can't demand your pound of flesh just because somebody is driven by avarice and the will to win."

Tom said, "Irrangate didn't involve as much money but at least it had someone you could point a finger at with contempt. Take Ollie North or General Secord or Admiral Poindexter. Americans had a rooting interest in what happened to them. We know less about the S&Ls than Ronald Reagan remembers about Irrangate."

"I'm sure that the administration is working on finding the wrongdoers right now," I assured him.

"Why weren't they working on it before the money was stolen?"

"Because at that time the savings and loans were deregulated. If you watch an industry that is deregulated, it could appear that it was being regulated."

"The government had assurances from the owners of the S&Ls that they would operate strictly within the law."

"Unfortunately, under deregulation what is within the law to one banker is not necessarily within the law to another. What more can the Treasury be expected to do?"

"I want them to round up the usual suspects, march them in - the courtroom and, at the end of the trial, sentence them to community service scrubbing the marble floors of the S&Ls they drove into the ground. I'd like to see their faces plastered on the front pages of the newspapers. I also want them to return all the money that they gave to their girlfriends before they went bankrupt. Then I think they should go to jail."

"You're asking a lot for the looting of a paltry half a trillion dollars. I have nothing against going public about those who fished the money, but the purpose of prison is to rehabilitate people. If they are sent to the slammer, they won't be any the wiser about S&Ls than they are now," I said.

"So what! If Leona Helmsley can go to jail, why can't the S&L guys?"

"We all wish we knew the answer to that question."

Indonesia's Painter of Paradise

By Michael Richardson

International Herald Tribune

UBUD, Indonesia — The simple, two-story Balinese bungalow where Arie Smit lives is an appropriate setting for his paintings. Placed in a garden of frangipani, hibiscus and coconut palms, the building is made of warm red brick, timber and bamboo. There are cool tiles on the floor and the roof is thickly thatched to ward off the torrential rains that pour down on Bali from time to time, keeping the island perennially lush and green.

"The roof grows over there," he told a recent visitor, pointing from the edge of the lawn out across the Campuan river valley to fields of shoulder-highalang grass, the color of emerald, growing in patches between the jungle on the other side. In one area, a farmer had cut swaths of the grass and left it to dry in the sun. Already it was the color of straw, waiting for another roof.

Arie Smit arrived in Bali in 1956, 18 years after he ventured from the Netherlands to Indonesia, then the Dutch East Indies, as a young soldier. In Batavia, now Jakarta, he partly fulfilled an artistic yearning by training as a chromo-lithographer in the topographical service of the colony.

"I used to create the Balinese mountains on maps of Indonesia," he said, "and I always promised myself that one day I would go to Bali."

The highest of the mountains, Gunung Agung, is regarded by Balinese as the "Navel of the World," the point from which the Hindu-Buddhist cosmos springs. By the time Smit arrived on Bali, which is wedged between the main Indonesian island of Java and Lombok island, he had become a full-time painter.

The town of Ubud, on the southern flank of the mountains that dominate the center of Bali, has been a haven for Indonesian and European artists since the 1930s. The area around Ubud is also the home of many of Bali's most accomplished painters, musicians, dancers, weavers and wood carvers.

Intending to stay only two months, Smit was bewitched by Bali and decided to make it his home. "I had always lived in big Indonesian towns. For the first time in Bali I was confronted with nature."

He was fascinated by the spectacular landscape and rich culture. Although most Balinese villagers are farmers, they are also "dancers, musicians or painters."

"The girl that sells you peanuts in the daytime," he said, "you may see again as the prima donna in the opera that night."

Smit found that the vibrant and intense colors in Bali inspired him to paint. "Temples have red bricks. When the sun shines on them after rain, they become orange, and I say to myself that even the strongest orange in my tubes of paint cannot capture this or the other beautiful colors I see every day."



Arie Smit at work: "It is good for a canvas to have several layers of color."

Smit became an Indonesian citizen in 1950, the year after the country won independence from the Dutch. Now in his 70s but still an avid explorer of Bali on foot, he paints mainly landscapes and temples in oil or acrylic. Over the years, his work has been shown in many parts of Indonesia as well as the United States, the Netherlands, West Germany, Singapore and Malaysia. A week-long exhibition of more than 30 of his paintings opened in Jakarta on Wednesday.

Suteja Neka, a leading Balinese patron of the arts and curator of a museum near Ubud that houses one of the country's finest collections of paintings, said that the Jakarta showing was a gesture of admiration "for a great Indonesian artist."

Smit's work, he added, "is full of joy and serenity, a world of extraordinary beauty portrayed with brush strokes that appear to move on canvas in a rich abundance of harmonious colors."

Smit said that although he makes many sketches of what he sees — terraces of rice fields, mountains, clouds, valleys, bays, rivers and secluded temples — he never paints on the spot.

"I observe things," he said, "but not like a biologist identifying particular trees and shrubs. I see shapes, colors and shades of light. My main interest is in the beauty and clarity of that complex thing we call nature."

Smit constructs his paintings slowly, working on several at a time and layering color

upon color. "It is good for a canvas to have several layers of color," he said. "The more layers you put on it, the richer the color on top will become."

"I fracture my colors because I find that light in Bali is fractured. The sunlight hits a palm tree, bounces onto a temple and then reflects onto the shoulder of a man who is fracturing the process." "I mean that in any Balinese landscape, one thing is connected with another thing. In the West, where skies are often gray, things tend to stand alone."

Affandi, who probably the best known Indonesian painter in international art circles, died Wednesday at his home in Java. He portrayed the tropics as malevolent and bizarre. His landscapes and scenes of Indonesian life are a riotous profusion of brush strokes that suggest that nature and man are waging constant war against each other.

Smit's vision is different, partly influenced by the unity of Balinese culture and partly by his experience as a prisoner of the Japanese in World War II.

The brutality and deprivation of those years helped to mold a philosophy. "No more war!" we said after World War II. I gladly ally myself with vagueness, elusiveness, suggestion, approximation. My art is realism, but I avoid the harshness of actuality, the explicit, the edge, details that are sharp and merciless. My colors do not clash, they blend. Lines do not divide but unite."

PEOPLE

Illness Downs Bernstein

Leonard Bernstein, 71, who was to have conducted the opening concert on Friday at the Spoleto Festival USA in Charleston, South Carolina, has canceled his appearance because of illness. He said he was "recovering from a brush with pneumonia." Artistic director Gian Carlo Menotti, saying "our specialty is miracles," organized a new program featuring the conductor Julius Rudel, the violinist Mstislav Rostropovich and the mezzo-soprano Tatiana Troyanos. The concert is a benefit to raise money to repair damage caused last year by the hurricane designated Hugo.

A former editor at The Wall Street Journal has filed suit against Dow Jones & Co., the paper's owner, seeking \$12.6 million in damages on the ground that his reputation has been severely injured because the paper wrongfully had dismissed him for plagiarism. Jonathan Kendall, an assistant foreign editor at the paper who worked both as writer and editor, filed suit in federal court in New York charging wrongful discharge, libel and intentional infliction of harm. Roger B. May, a Dow Jones spokesman, said, "We believe that the suit is utterly without merit."

Marka Maples, the other woman in the split between developer Donald Trump and his wife, Ivana, has a new job: spokeswoman for No Excuses jeans. She is following Donna Rice — whose relationship with Gary Hart helped end his presidential bid in 1988 — in making television commercials and print advertisements for the jeans. "She fits the mold of a young, fun, independent, strong-minded woman who does what she wants," said Neil Cole, president of the jeans maker. "And, she looks great in our jeans."

Elizabeth Taylor, 58, originally scheduled to appear at the Art Against AIDS gala in Washington, is in stable condition and will remain in the hospital in California for at least another month. She entered the hospital seven weeks ago gravely ill with pneumonia. "Generally, on the whole, she's physically and psychologically better," said her publicist, Chen Sam.

How quickly they forget. Zsa Zsa Gabor's Rolls-Royce, the car she

was driving when she had her infamous run-in with a Beverly Hills policeman, had no star appeal at the annual Bennett Investor Auction in Tulsa, Oklahoma. "Perhaps the right-wing audience didn't respond to it," said a spokesman for the auction. The Rolls remained unsold after it drew only a \$23,000 bid, half of what appraisers estimated it would fetch.

A court has ruled in favor of a Dutch honeymoon couple who took on the pop star Prince. Marcel Soek and his intended bride, Merit Gijzenbeek, had sought to protect their reservation for the "Imperial Suite" and roof terrace at the Hotel des Indes in The Hague. The couple, asked to make way for Prince and his entourage, refused offers of free use of another bridal suite, champagne and a wedding cake. The couple would receive a 25,000 guilder (\$13,400) penalty if the hotel fails to honor the reservation.

Prince Charles appealed to the West in a BBC television program to help East European countries clean up their polluted environment. "The least we can do is help restore their shattered, poisoned, blighted countries — their polluted rivers, their dead forests — and help care for their sick and dying children, poisoned by the very air they breathe and the water they drink."

A Cincinnati judge said he will visit an exhibit of Robert Mapplethorpe photographs before considering a request to dismiss obscenity charges against the art gallery showing the pictures. Municipal Judge David Albano said he would view the photos before the six-week exhibit closes Saturday. More than 67,000 people have seen the exhibit.

The actor and comedian Bill Cosby, speaking to black graduates at the University of Notre Dame, reduced Dean Brown, a football player, to tears when he asked Brown his scholastic average. "2.5," Brown replied. "That's nothing," Cosby said, and proceeded to lecture the student on the importance of giving one's all. "I was in shock," said Kenneth Duggan, director of minority student affairs. "He was really off-base."

An American Lends Art Collection to U.K.

The Associated Press

LONDON — One of the world's finest private collections of modern art is being lent for five years to the National Gallery in London by its American owner, a German-born dealer.

The collection of 72 paintings belongs to Heinz Berggruen and includes two late works by Vincent van Gogh, eight by Paul Cézanne, 40 by Pablo Picasso, 14 by Georges Braque and Joan Miró. Berggruen, 75, lives in Geneva; he was born in Berlin and left in 1936 to study art in the United States.

TODAY'S CAREER OPPORTUNITIES

Appears on page 8

PERSONALS

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years, 369 years, 370 years, 371 years, 372 years, 373 years, 374 years, 375 years, 376 years, 377 years, 378 years, 379 years, 380 years, 381 years, 382 years, 383 years, 384 years, 385 years, 386 years, 387 years, 388 years, 389 years, 390 years, 391 years, 392 years, 393 years, 394 years, 395 years, 396 years, 397 years, 398 years, 399 years, 400 years, 401 years, 402 years, 403 years, 404 years, 405 years, 406 years, 407 years, 408 years, 409 years, 410 years, 411 years, 412 years, 413 years, 414 years, 415 years, 416 years, 417 years, 418 years, 419 years, 420 years, 421 years, 422 years, 423 years, 424 years, 425 years, 426 years, 427 years, 428 years, 429 years, 430 years, 431 years, 432 years, 433 years, 434 years, 435 years, 436 years, 437 years, 438 years, 439 years, 440 years, 441 years, 442 years, 443 years, 444 years, 445 years, 446 years, 447 years, 448 years, 449 years, 450 years, 451 years, 452 years, 453 years, 454 years, 455 years, 456 years, 457 years, 458 years, 459 years, 460 years, 461 years, 462 years, 463 years, 464 years, 465 years, 466 years, 467 years, 468 years, 469 years, 470 years, 471 years, 472 years, 473 years, 474 years, 475 years, 476 years, 477 years, 478 years, 479 years, 480 years, 481 years, 482 years, 483 years, 484 years, 485 years, 486 years, 487 years, 488 years, 489 years, 490 years, 491 years, 492 years, 493 years, 494 years, 495 years, 496 years, 497 years, 498 years, 499 years, 500 years, 501 years, 502 years, 503 years, 504 years, 505 years, 506 years, 507 years, 508 years, 509 years, 510 years, 511 years, 512 years, 513 years, 514 years, 515 years, 516 years, 517 years, 518 years, 519 years, 520 years, 521 years, 522 years, 523 years, 524 years, 525 years, 526 years, 527 years, 528 years, 529 years, 530 years, 531 years, 532 years, 533 years, 534 years, 535 years, 536 years, 537 years, 538 years, 539 years, 540 years, 541 years, 542 years, 543 years, 544 years, 545 years, 546 years, 547 years, 548 years, 549 years, 550 years, 551 years, 552 years, 553 years, 554 years, 555 years, 556 years, 557 years, 558 years, 559 years, 560 years, 561 years, 562 years, 563 years, 564 years, 565 years, 566 years, 567 years, 568 years, 569 years, 570 years, 571 years, 572 years, 573 years, 574 years, 575 years, 576 years, 577 years, 578 years, 579 years, 580 years, 581 years, 582 years, 583 years, 584 years, 585 years, 586 years, 587 years, 588 years, 589 years, 590 years, 591 years, 592 years, 593 years, 594 years, 595 years, 596 years, 597 years, 598 years, 599 years, 600 years, 601 years, 602 years, 603 years, 604 years, 605 years, 606 years, 607 years, 608 years, 609 years, 610 years, 611 years, 612 years, 613 years, 614 years, 615 years, 616 years, 617 years, 618 years, 619 years, 620 years, 621 years, 622 years, 623 years, 624 years, 625 years, 626 years, 627 years, 628 years, 629 years, 630 years, 631 years, 632 years, 633 years, 634 years, 635 years, 636 years, 637 years, 638 years, 639 years, 640 years, 641 years, 642 years, 643 years, 644 years, 645 years, 646 years, 647 years, 648 years, 649 years, 650 years, 651 years, 652 years, 653 years, 654 years, 655 years, 656 years, 657 years, 658 years, 659 years, 660 years, 661 years, 662 years, 663 years, 664 years, 665 years, 666 years, 667 years, 668 years, 669 years, 670 years, 671 years, 672 years, 673 years, 674 years, 675 years, 676 years, 677 years, 678 years, 679 years, 680 years, 681 years, 682 years, 683 years, 684 years, 685 years, 686 years, 687 years, 688 years, 689 years, 690 years, 691 years, 692 years, 693 years, 694 years, 695 years, 696 years, 697 years, 698 years, 699 years, 700 years, 701 years, 702 years, 703 years, 704 years, 705 years, 706 years, 707 years, 708 years, 709 years, 710 years, 711 years, 712 years, 713 years, 714 years, 715 years, 716 years, 717 years, 718 years, 719 years, 720 years, 721 years, 722 years, 723 years, 724 years, 725 years, 72